



# *Nkomazi Municipality*

Nkomazi Local Municipality  
Annual Financial Statements  
for the year ended 30 June 2019

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## General Information

---

<b>Legal form of entity</b>	Local municipality
<b>Nature of business and principal activities</b>	Providing municipal services
<b>Mayoral committee</b>	
Executive Mayor	Mkhatshwa JM
Speaker	Mashele SJ
Chief whip	Ngcane EZ
Other mayoral committee members	Mabuza S (MMC - Budget and Treasury) Hlophe NC (MMC - Planning and Development) Mahlalela SS (MMC - Corporate Services) Mkhatshwa TM (MMC - Community and Social Services) Mziako PM (MMC - Infrastructure)
<b>Councillors</b>	Chambale IM (Deceased) Dikiza GK Khoza DM Khoza MR Dlamini-Zitha SP Lubisi MT Lubisi NF Luphoko PC Lusibane FN Mabuza VE Madlopha TA Magagula BS Magagula PP Magagula FK Magagula CT Mahlalela MM Malaza BB Manzini NE Maphanga NP Masilela TE Masuku SH Mathonsi SS Mavuso DD Mazibuko DG Mkhatshwa IP Mkhatshwa SL Mkhonto BE Mkhonto DG Mndawe SO Mogibe GN Moosa VC Motha CM Mtetwa JM Mthombo TM Ndlovu PF Ngomane FN Ngomane LP Ngomane MP

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## General Information

---

	Ngomane GB Nkala KP Nkalanga ML Nkosi JM Nkosi TS Nyambi VT Preddy MMS Shabangu JC Shisane TC Shongwe BC Shongwe MD Shongwe NF Shungube ZI Sibiya GP Siboza JT Sindane MJ Thumbathi NP Tiwane BM Vuma LT
<b>Grading of local authority</b>	4
<b>Accounting Officer</b>	Ngwenya M D
<b>Chief Finance Officer (CFO)</b>	Thobela T S
<b>Business address</b>	9 Park Street Civic centre Malalane 1320
<b>Postal address</b>	Private Bag X101 Malelane 1320
<b>Bankers</b>	Standard Bank Nelspruit
<b>Auditors</b>	The Auditor General
<b>Dermarkation code</b>	MP324

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Index

---

The reports and statements set out below comprise the annual financial statements presented to the municipal council:

	<b>Page</b>
Accounting Officer's Responsibilities and Approval	5
Accounting Officer's Report	6
Statement of Financial Position	7
Statement of Financial Performance	8
Statement of Changes in Net Assets	9
Cash Flow Statement	10
Statement of Comparison of Budget and Actual Amounts	11 - 14
Appropriation Statement	15 - 16
Accounting Policies	17 - 39
Notes to the Annual Financial Statements	40 - 75

The following supplementary information does not form part of the annual financial statements and is unaudited:

Appendixes:

Appendix B: Analysis of Property, Plant and Equipment	76-75
Appendix D: Segmental Statement of Financial Performance	78
Appendix E(1): Actual versus Budget (Revenue and Expenditure)	79
Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)	80
Appendix F: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act	81
Appendix G(1): Budgeted Financial Performance (revenue and expenditure by standard classification)	82
Appendix G(2): Budgeted Financial Performance (revenue and expenditure by municipal vote)	84
Appendix G(3): Budgeted Financial Performance (revenue and expenditure)	85
Appendix G(4): Budgeted Capital Expenditure by vote, standard classification and funding	87
Appendix G(5): Budgeted Cash Flows	89

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Index

---

### Acronyms

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of Southern Africa
ASB	Accounting Standards Board
GRAP	Generally Recognised Accounting Practice
AFS	Annual financial statements
IAS	International Accounting Standard
SOFP	Statement of Financial Position
SOCINA	Statement of Changes in Net Assets
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
PPE	Property, plant and equipment
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
CIGFARO	Chartered Institute of Government Finance, Audit & Risk Officers
mSCOA	Municipal Standard Chart of Accounts
AP	Accounting Policy

# **Nkomazi Local Municipality**

Annual Financial Statements for the year ended 30 June 2019

## **Accounting Officer's Responsibilities and Approval**

---

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and will be given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) and the MFMA, including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The accounting officer is responsible for the preparation of these annual financial statements, which are set out on the attached pages, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in the notes of the attached unaudited annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Cooperative Governance and Traditional Affairs determination in accordance with this Act.

The annual financial statements set out on pages 6 to 75, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2019.

---

**Ngwenya M D**  
**Accounting officer**

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Officer's Report

---

The accounting officer submits his report for the year ended 30 June 2019.

### 1. Review of activities

#### Main business and operations

The municipality is a medium capacity municipality, engaged in providing municipal services. It delivers basic services such as water, electricity and refuse removal services to the Malelane, Komatipoort, Marloth Park and Hectorspruit region. The municipality provides free water and refuse removal services to rural areas within the local sphere of Nkomazi.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

surplus of the municipality was R 248 091 778 (2018: surplus R 242 573 421).

### 2. Going concern

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated surplus (deficit) of R 2 281 003 777 and that the municipality's total assets exceed its liabilities by R 2 281 003 777.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### 3. Subsequent events

The accounting officer is not aware of any other matter or circumstance arising since the end of the financial year which requires adjustment or disclosure in the unaudited annual financial statements, except for one event where the municipality entered into agreement with Department of Community Safety, Security and Liaison to transfer the function of Licencing department back to the province .

### 4. Accounting policies

The annual financial statements have been prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board, in accordance with Section 122(3) of the MFMA. The impact on the results of the municipality in adopting the above policies is reflected in note 1 to the financial statement.

### 5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
Ngwenya M D	SA

### 6. Auditors

The Auditor General will continue in office for the next financial period.

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Statement of Financial Position as at 30 June 2019

	Note(s)	2019 R	2018 Restated* R
<b>Assets</b>			
<b>Current Assets</b>			
Operating lease asset	7	49 531	21 428
Inventories	9	5 253 221	2 896 715
Receivables from exchange transactions	10	1 024 622	991 463
Receivables from non-exchange transactions	11	62 692 970	60 108 592
VAT receivable	12	55 896 616	47 117 717
Consumer debtors	13	31 889 028	26 966 728
Cash and cash equivalents	14	205 822 074	206 594 311
		<b>362 628 062</b>	<b>344 696 954</b>
<b>Non-Current Assets</b>			
Investment property	3	28 854 988	28 953 981
Property, plant and equipment	4	2 082 163 114	1 898 111 230
Intangible assets	5	1 034 008	1 289 654
Heritage assets	6	1 621 944	1 621 944
Operating lease asset	7	11 956	36 264
Receivables from exchange transactions	10	18 853 794	17 084 643
		<b>2 132 539 804</b>	<b>1 947 097 716</b>
<b>Total Assets</b>		<b>2 495 167 866</b>	<b>2 291 794 670</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Operating lease liability	7	-	42 080
Finance lease obligation	15	2 194 378	2 134 881
Unspent conditional grants and receipts	16	888 056	29 229 510
Provisions	17	33 337 167	29 826 589
Payables from exchange transactions	18	114 369 037	135 185 968
		<b>150 788 638</b>	<b>196 419 028</b>
<b>Non-Current Liabilities</b>			
Operating lease liability	7	246 576	71 566
Employee benefit obligation	8	37 542 000	35 942 000
Finance lease obligation	15	529 993	1 807 430
Provisions	17	25 056 882	24 642 648
		<b>63 375 451</b>	<b>62 463 644</b>
<b>Total Liabilities</b>		<b>214 164 089</b>	<b>258 882 672</b>
<b>Net Assets</b>		<b>2 281 003 777</b>	<b>2 032 911 998</b>
Accumulated surplus		<b>2 281 003 777</b>	<b>2 032 911 998</b>

\* See Note 48



# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Statement of Financial Performance

		2019	2018
	Note(s)	R	Restated* R
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	19	144 568 061	128 845 439
Rental of facilities and equipment	20	4 974 158	3 040 464
Interest received (trading)	21	7 305 613	11 391 004
Agency services	22	13 068 155	12 587 776
Licences and permits	23	27 419	36 103
Recoveries	25	209 144	498 604
Other income	25	5 453 988	5 569 622
Interest received - external	26	27 648 707	19 851 644
Gain on disposal of assets		1 889 080	-
Actuarial gains		1 949 000	-
<b>Total revenue from exchange transactions</b>		<b>207 093 325</b>	<b>181 820 656</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	27	94 404 808	105 503 008
<b>Transfer revenue</b>			
Fines, Penalties and Forfeits	24	14 565 676	5 411 836
Government grants & subsidies	28	821 172 599	737 311 077
Public contributions and donations	29	3 491 815	69 475 264
<b>Total revenue from non-exchange transactions</b>		<b>933 634 898</b>	<b>917 701 185</b>
<b>Total revenue</b>	21	<b>1 140 728 223</b>	<b>1 099 521 841</b>
<b>Expenditure</b>			
Employee related costs	30	(404 322 699)	(366 204 189)
Remuneration of councillors	31	(33 643 902)	(27 512 748)
Depreciation and amortisation	32	(64 813 640)	(61 407 560)
Impairment loss	33	(4 582 264)	(32 162 218)
Finance costs	36	(823 627)	(2 049 834)
Lease rentals on operating lease	34	(6 514 756)	(7 990 731)
Debt Impairment	37	(20 637 535)	(26 079 111)
Bulk purchases	38	(83 318 535)	(77 968 710)
Contracted services	39	(146 287 392)	(130 859 976)
Transfers and Subsidies	35	(1 054 758)	(11 527 520)
Loss on disposal of assets		-	(893 191)
Actuarial losses		-	(232 000)
Operational expenditure	41	(126 637 337)	(112 060 632)
<b>Total expenditure</b>		<b>(892 636 445)</b>	<b>(856 948 420)</b>
<b>Surplus for the year</b>		<b>248 091 778</b>	<b>242 573 421</b>

\* See Note 48

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
<b>Balance at 01 July 2017</b>	<b>1 790 338 577</b>	<b>1 790 338 577</b>
Changes in net assets		
Surplus for the year	242 573 421	242 573 421
Total changes	242 573 421	242 573 421
Opening balance as previously reported	2 032 952 142	2 032 952 142
Adjustments		
Correction of errors	(40 143)	(40 143)
<b>Restated* Balance at 01 July 2018 as restated*</b>	<b>2 032 911 999</b>	<b>2 032 911 999</b>
Changes in net assets		
Surplus for the year	248 091 778	248 091 778
Total changes	248 091 778	248 091 778
<b>Balance at 30 June 2019</b>	<b>2 281 003 777</b>	<b>2 281 003 777</b>
Note(s)	48	

\* See Note 48

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Cash Flow Statement

	Note(s)	2019 R	2018 Restated* R
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		282 355 820	351 672 559
Grants		821 172 599	737 311 077
Interest income		27 648 707	19 851 644
		<u>1 131 177 126</u>	<u>1 108 835 280</u>
<b>Payments</b>			
Employee costs		(437 966 601)	(393 716 937)
Suppliers		(438 823 648)	(453 705 578)
Finance costs		(823 627)	(2 049 834)
		<u>(877 613 876)</u>	<u>(849 472 349)</u>
<b>Net cash flows from operating activities</b>	43	<b><u>253 563 250</u></b>	<b><u>259 362 931</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(253 001 507)	(169 540 031)
Purchase of other intangible assets	5	(116 040)	(226 337)
<b>Net cash flows from investing activities</b>		<b><u>(253 117 547)</u></b>	<b><u>(169 766 368)</u></b>
<b>Cash flows from financing activities</b>			
Repayment of other financial liabilities		-	(1 540 955)
Finance lease payments		(1 217 940)	(2 129 557)
<b>Net cash flows from financing activities</b>		<b><u>(1 217 940)</u></b>	<b><u>(3 670 512)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b><u>(772 237)</u></b>	<b><u>85 926 051</u></b>
Cash and cash equivalents at the beginning of the year		206 594 311	120 668 260
<b>Cash and cash equivalents at the end of the year</b>	14	<b><u>205 822 074</u></b>	<b><u>206 594 311</u></b>

\* See Note 48

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	138 655 823	11 170 203	<b>149 826 026</b>	144 568 061	<b>(5 257 965)</b>	
Rental of facilities and equipment	3 210 166	1 478 215	<b>4 688 381</b>	4 974 158	<b>285 777</b>	
Interest received (trading)	13 108 714	(5 711 583)	<b>7 397 131</b>	7 305 613	<b>(91 518)</b>	
Agency services	11 692 085	(2 965 135)	<b>8 726 950</b>	13 068 155	<b>4 341 205</b>	Note 57
Licences and permits	34 840	-	<b>34 840</b>	27 419	<b>(7 421)</b>	Note 57
Recoveries	294 066	-	<b>294 066</b>	209 144	<b>(84 922)</b>	Note 57
Other income	3 781 834	(162 568)	<b>3 619 266</b>	5 453 988	<b>1 834 722</b>	Note 57
Interest received - external	12 427 975	10 340 879	<b>22 768 854</b>	27 648 707	<b>4 879 853</b>	Note 57
<b>Total revenue from exchange transactions</b>	<b>183 205 503</b>	<b>14 150 011</b>	<b>197 355 514</b>	<b>203 255 245</b>	<b>5 899 731</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	114 723 093	(2 186 144)	<b>112 536 949</b>	94 404 808	<b>(18 132 141)</b>	Note 57
<b>Transfer revenue</b>						
Government grants & subsidies	788 322 522	38 640 178	<b>826 962 700</b>	821 172 599	<b>(5 790 101)</b>	
Public contributions and donations	-	-	-	3 491 815	<b>3 491 815</b>	
Fines, Penalties and Forfeits	28 774 113	(448 385)	<b>28 325 728</b>	14 565 676	<b>(13 760 052)</b>	Note 57
<b>Total revenue from non-exchange transactions</b>	<b>931 819 728</b>	<b>36 005 649</b>	<b>967 825 377</b>	<b>933 634 898</b>	<b>(34 190 479)</b>	
<b>Total revenue</b>	<b>1 115 025 231</b>	<b>50 155 660</b>	<b>1 165 180 891</b>	<b>1 136 890 143</b>	<b>(28 290 748)</b>	
<b>Expenditure</b>						
Personnel	(358 810 803)	1 232 595	<b>(357 578 208)</b>	(404 322 699)	<b>(46 744 491)</b>	Note 57
Remuneration of councillors	(24 290 797)	-	<b>(24 290 797)</b>	(33 643 902)	<b>(9 353 105)</b>	Note 57
Depreciation and amortisation	(61 197 763)	-	<b>(61 197 763)</b>	(64 813 640)	<b>(3 615 877)</b>	
Impairment loss/ Reversal of impairments	-	-	-	(4 582 264)	<b>(4 582 264)</b>	
Finance costs	(692 458)	-	<b>(692 458)</b>	(823 627)	<b>(131 169)</b>	Note 57
Lease rentals on operating lease	(9 975 617)	-	<b>(9 975 617)</b>	(6 514 756)	<b>3 460 861</b>	Note 57
Debt Impairment	(22 199 697)	-	<b>(22 199 697)</b>	(20 637 535)	<b>1 562 162</b>	
Bulk purchases	(67 344 737)	-	<b>(67 344 737)</b>	(83 318 535)	<b>(15 973 798)</b>	Note 57
Contracted Services	(111 183 940)	(2 726 335)	<b>(113 910 275)</b>	(146 287 392)	<b>(32 377 117)</b>	Note 57
Transfers and Subsidies	(16 659 690)	1 367 661	<b>(15 292 029)</b>	(1 054 758)	<b>14 237 271</b>	Note 57
General Expenses	(174 702 170)	161 824	<b>(174 540 346)</b>	(126 637 337)	<b>47 903 009</b>	Note 57
<b>Total expenditure</b>	<b>(847 057 672)</b>	<b>35 745</b>	<b>(847 021 927)</b>	<b>(892 636 445)</b>	<b>(45 614 518)</b>	
<b>Operating surplus</b>	<b>267 967 559</b>	<b>50 191 405</b>	<b>318 158 964</b>	<b>244 253 698</b>	<b>(73 905 266)</b>	
Gain on disposal of assets	-	-	-	1 889 080	<b>1 889 080</b>	
Actuarial gains	-	-	-	1 949 000	<b>1 949 000</b>	
	-	-	-	<b>3 838 080</b>	<b>3 838 080</b>	
<b>Surplus before taxation</b>	<b>267 967 559</b>	<b>50 191 405</b>	<b>318 158 964</b>	<b>248 091 778</b>	<b>(70 067 186)</b>	

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>267 967 559</b>	<b>50 191 405</b>	<b>318 158 964</b>	<b>248 091 778</b>	<b>(70 067 186)</b>	

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	4 039 289	-	<b>4 039 289</b>	5 253 221	<b>1 213 932</b>	
Operating lease asset	23 917	-	<b>23 917</b>	49 531	<b>25 614</b>	
Receivables from exchange transactions	-	-	-	1 024 622	<b>1 024 622</b>	Note 57
VAT receivable	43 226 662	-	<b>43 226 662</b>	55 896 616	<b>12 669 954</b>	
Consumer debtors	41 999 578	-	<b>41 999 578</b>	94 581 998	<b>52 582 420</b>	Note 57
Cash and cash equivalents	177 352 706	-	<b>177 352 706</b>	205 822 074	<b>28 469 368</b>	Note 57
	<b>266 642 152</b>	-	<b>266 642 152</b>	<b>362 628 062</b>	<b>95 985 910</b>	
<b>Non-Current Assets</b>						
Investment property	44 274 194	(15 320 213)	<b>28 953 981</b>	28 854 988	<b>(98 993)</b>	
Property, plant and equipment	2 188 861 025	45 383 231	<b>2 234 244 256</b>	2 082 163 114	<b>(152 081 142)</b>	
Intangible assets	2 307 356	70 000	<b>2 377 356</b>	1 034 008	<b>(1 343 348)</b>	Note 57
Heritage assets	3 264 580	-	<b>3 264 580</b>	1 621 944	<b>(1 642 636)</b>	Note 57
Receivables from exchange transactions	20 844 639	-	<b>20 844 639</b>	18 853 794	<b>(1 990 845)</b>	Note 57
Operating lease asset	61 210	-	<b>61 210</b>	11 956	<b>(49 254)</b>	Note 57
	<b>2 259 613 004</b>	<b>30 133 018</b>	<b>2 289 746 022</b>	<b>2 132 539 804</b>	<b>(157 206 218)</b>	
<b>Total Assets</b>	<b>2 526 255 156</b>	<b>30 133 018</b>	<b>2 556 388 174</b>	<b>2 495 167 866</b>	<b>(61 220 308)</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Finance lease obligation	-	-	-	2 194 378	<b>2 194 378</b>	Note 57
Payables from exchange transactions	91 831 607	30 133 018	<b>121 964 625</b>	114 369 037	<b>(7 595 588)</b>	
Unspent conditional grants and receipts	-	-	-	888 056	<b>888 056</b>	Note 57
Provisions	36 883 881	-	<b>36 883 881</b>	33 337 167	<b>(3 546 714)</b>	Note 57
	<b>128 715 488</b>	<b>30 133 018</b>	<b>158 848 506</b>	<b>150 788 638</b>	<b>(8 059 868)</b>	
<b>Non-Current Liabilities</b>						
Other financial liabilities	4 147 311	-	<b>4 147 311</b>	-	<b>(4 147 311)</b>	Note 57
Finance lease obligation	-	-	-	529 993	<b>529 993</b>	Note 57
Operating lease liability	-	-	-	246 576	<b>246 576</b>	Note 57
Employee benefit obligation	-	-	-	37 542 000	<b>37 542 000</b>	Note 57
Provisions	58 915 527	-	<b>58 915 527</b>	25 056 882	<b>(33 858 645)</b>	Note 57
	<b>63 062 838</b>	-	<b>63 062 838</b>	<b>63 375 451</b>	<b>312 613</b>	
<b>Total Liabilities</b>	<b>191 778 326</b>	<b>30 133 018</b>	<b>221 911 344</b>	<b>214 164 089</b>	<b>(7 747 255)</b>	
<b>Net Assets</b>	<b>2 334 476 830</b>	-	<b>2 334 476 830</b>	<b>2 281 003 777</b>	<b>(53 473 053)</b>	

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Accumulated surplus	2 334 476 830	-	<b>2 334 476 830</b>	2 281 003 777	<b>(53 473 053)</b>	

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
<b>2019</b>											
<b>Financial Performance</b>											
Property rates	114 723 093	(2 186 144)	112 536 949	-		112 536 949	94 404 808		(18 132 141)	84 %	82 %
Service charges	138 655 823	11 170 203	149 826 026	-		149 826 026	144 568 061		(5 257 965)	96 %	104 %
Investment revenue	12 427 975	10 340 879	22 768 854	-		22 768 854	27 648 707		4 879 853	121 %	222 %
Transfers recognised - operational	546 431 440	2 013 178	548 444 618	-		548 444 618	525 823 722		(22 620 896)	96 %	96 %
Other own revenue	60 895 818	(7 809 456)	53 086 362	-		53 086 362	49 442 233		(3 644 129)	93 %	81 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>873 134 149</b>	<b>13 528 660</b>	<b>886 662 809</b>	<b>-</b>		<b>886 662 809</b>	<b>841 887 531</b>		<b>(44 775 278)</b>	<b>95 %</b>	<b>96 %</b>
Employee costs	(358 810 803)	1 232 595	(357 578 208)	-	-	(357 578 208)	(404 322 699)	-	(46 744 491)	113 %	113 %
Remuneration of councillors	(24 290 797)	-	(24 290 797)	-	-	(24 290 797)	(33 643 902)	-	(9 353 105)	139 %	139 %
Debt impairment	(22 199 697)	-	(22 199 697)			(22 199 697)	(20 637 535)	-	1 562 162	93 %	93 %
Depreciation and asset impairment	(61 197 763)	-	(61 197 763)			(61 197 763)	(69 395 904)	-	(8 198 141)	113 %	113 %
Finance charges	(692 458)	-	(692 458)	-	-	(692 458)	(823 627)	-	(131 169)	119 %	119 %
Materials and bulk purchases	(108 750 190)	1 367 661	(107 382 529)	-	-	(107 382 529)	(83 318 535)	-	24 063 994	78 %	77 %
Transfers and grants	(16 659 690)	1 157 868	(15 501 822)	-	-	(15 501 822)	(1 054 758)	-	14 447 064	7 %	6 %
Other expenditure	(254 456 274)	(3 722 379)	(258 178 653)	-	-	(258 178 653)	(279 439 485)	-	(21 260 832)	108 %	110 %
<b>Total expenditure</b>	<b>(847 057 672)</b>	<b>35 745</b>	<b>(847 021 927)</b>	<b>-</b>	<b>-</b>	<b>(847 021 927)</b>	<b>(892 636 445)</b>	<b>-</b>	<b>(45 614 518)</b>	<b>105 %</b>	<b>105 %</b>
<b>Surplus/(Deficit)</b>	<b>26 076 477</b>	<b>13 564 405</b>	<b>39 640 882</b>	<b>-</b>		<b>39 640 882</b>	<b>(50 748 914)</b>		<b>(90 389 796)</b>	<b>(128)%</b>	<b>(195)%</b>



# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
Transfers recognised - capital	241 891 082	36 627 000	278 518 082	-		278 518 082	295 348 877		16 830 795	106 %	122 %
Public contributions and donations	-	-	-	-		-	3 491 815		3 491 815	DIV/0 %	DIV/0 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>267 967 559</b>	<b>50 191 405</b>	<b>318 158 964</b>	<b>-</b>		<b>318 158 964</b>	<b>248 091 778</b>		<b>(70 067 186)</b>	<b>78 %</b>	<b>93 %</b>
<b>Surplus/(Deficit) for the year</b>	<b>267 967 559</b>	<b>50 191 405</b>	<b>318 158 964</b>	<b>-</b>		<b>318 158 964</b>	<b>248 091 778</b>		<b>(70 067 186)</b>	<b>78 %</b>	<b>93 %</b>
<b>Capital expenditure and funds sources</b>											
Total capital expenditure	279 362 560	45 383 232	324 745 792	-		324 745 792	251 204 069		(73 541 723)	77 %	90 %
<b>Sources of capital funds</b>											
Transfers recognised - capital	236 450 560	37 999 387	274 449 947	-		274 449 947	217 557 069		(56 892 878)	79 %	92 %
Internally generated funds	42 912 000	7 383 845	50 295 845	-		50 295 845	33 647 000		(16 648 845)	67 %	78 %
<b>Total sources of capital funds</b>	<b>279 362 560</b>	<b>45 383 232</b>	<b>324 745 792</b>	<b>-</b>		<b>324 745 792</b>	<b>251 204 069</b>		<b>(73 541 723)</b>	<b>77 %</b>	<b>90 %</b>

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand, rounded off to the nearest tenth.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

#### 1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

#### 1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

##### **Trade receivables / Held to maturity investments and/or loans and receivables**

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

##### **Allowance for slow moving, damaged and obsolete stock**

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items.

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.2 Significant judgements and sources of estimation uncertainty (continued)

#### Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

The carrying amount of available-for-sale financial assets would be an estimated R - lower or R - higher were the discounted rate used in the discount cash flow analysis to differ by 10% from management's estimates.

#### Impairment testing

The recoverable service amounts of non-cash generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including, together with economic factors such as inflation interest.

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

#### Useful lives of PPE and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for PPE and other assets. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

#### Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 8.

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.2 Significant judgements and sources of estimation uncertainty (continued)

#### Effective interest rate

The municipality used an appropriate interest rate, taking into account guidance provided in the accounting standards, and applying professional judgement to the specific circumstances, to discount future cash flows. Appropriate adjustments have been made to compensate for the effect of deferred settlement terms that materially impact on the fair value of financial instruments, revenue and expenses at initial recognition. The adjustments requires a degree of estimation around the discount rates and periods used.

#### Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

### 1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

#### Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	10 - 30 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

### 1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

### 1.4 Property, plant and equipment (continued)

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	N/A	Indefinite
Buildings	Straight line	5 -30 years
Landfil site land	Straight line	10 - 30 years
Plant and machinery	Straight line	2 - 15 years
Furniture and fixtures	Straight line	3 - 10 years
Motor vehicles	Straight line	4 - 15 years
IT equipment	Straight line	3 - 10 years
Infrastructure	Straight line	.
- Roads and storm water	Straight line	3 - 100 years
- Electricity	Straight line	3 - 80 years
- Water	Straight line	10 - 100 years
- Sewerage	Straight line	10 - 60 years
- Solid waste disposal	Straight line	5 - 55 years

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.4 Property, plant and equipment (continued)

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 4).

#### Game

The municipality recognises game asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Game assets is initially measured at cost

Where game asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition or game count.

Subsequent to initial recognition game assets are measured at cost less accumulated impairment losses.

The municipality derecognises game asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of game asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the game asset. Such difference is recognised in surplus or deficit when the game asset is derecognised.

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.5 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

---

Item	Depreciation method	Average useful life
Computer software, other	Straight line	2 - 5 years

---

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.6 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

#### Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

#### Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

#### Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

#### Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

#### Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

#### Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

### 1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.



## Accounting Policies

---

### 1.7 Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.7 Financial instruments (continued)

#### Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade and other payables from exchange transactions	Financial liability measured at amortised cost

#### Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

#### Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.7 Financial instruments (continued)

#### Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

#### Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

#### Gains and losses

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

#### Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.7 Financial instruments (continued)

#### Derecognition

##### Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

##### Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.7 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

### 1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

#### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

#### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### 1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.9 Inventories (continued)

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of water inventories is assigned using the weighted average cost formula. The first in, first out (FIFO) cost formula is used for all other inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.10 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

#### Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

#### Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

#### Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.10 Impairment of cash-generating assets (continued)

#### Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

### 1.11 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

#### Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

#### Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

#### Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.12 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

#### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

#### Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.



# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.12 Employee benefits (continued)

#### Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.12 Employee benefits (continued)

- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.12 Employee benefits (continued)

#### Other post retirement obligations

The municipality has an obligation to provide long-term service allowance benefits to all of its employees.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

### 1.13 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 46.

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.13 Provisions and contingencies (continued)

#### Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.10 and 1.11.
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

### 1.14 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

### 1.15 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.15 Revenue from exchange transactions (continued)

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

#### Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

### 1.16 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.16 Revenue from non-exchange transactions (continued)

#### Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

#### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

#### Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

#### Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

#### Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

#### Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

### 1.17 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.18 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

### 1.19 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### 1.20 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.21 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.22 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.23 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2017/07/01 to 2021/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

### 1.24 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.24 Related parties (continued)

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

### 1.25 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

### 1.26 Value Added Tax

The municipality accounts for Value Added Tax on payment basis.

### 1.27 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.



# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
--	-----------	-----------

### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 103 (as amended 2016): Heritage assets	01 April 2018	
• GRAP 12 (as amended 2016): Inventories	01 April 2018	No material impact
• GRAP 16 (as amended 2016): Investment Property	01 April 2018	No material impact
• GRAP 17 (as amended 2016): Property, Plant and Equipment	01 April 2018	No material impact
• GRAP 21 (as amended 2016): Impairment of non-cash-generating assets	01 April 2018	No material impact
• GRAP 26 (as amended 2016): Impairment of cash-generating assets	01 April 2018	No material impact

#### 2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2019 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 20: Related parties	01 April 2019	Unlikely there will be a material impact
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2019	Unlikely there will be a material impact
• GRAP 108: Statutory Receivables	01 April 2019	Unlikely there will be a material impact
• GRAP 109: Accounting by Principals and Agents	01 April 2019	Unlikely there will be a material impact
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2019	Unlikely there will be a material impact
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	Unlikely there will be a material impact
• IGRAP 19: Liabilities to Pay Levies	01 April 2019	Unlikely there will be a material impact

#### 2.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2019 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2019	Unlikely there will be a material impact

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
--	-----------	-----------

### 3. Investment property

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	46 445 555	(17 590 567)	28 854 988	46 445 555	(17 491 574)	28 953 981

#### Reconciliation of investment property - 2019

	Opening balance	Depreciation	Total
Investment property	28 953 981	(98 993)	28 854 988

#### Reconciliation of investment property - 2018

	Opening balance	Impairments	Depreciation	Total
Investment property	44 362 146	(15 280 166)	(127 999)	28 953 981

#### Pledged as security

No investment property assets were pledged as security.

#### Impairment of assets

##### Investment property impaired

Investment property - Cost	-	15 280 166
----------------------------	---	------------

#### Other disclosure

There were no operating costs incurred related to the investment property.

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand

### 4. Property, plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	135 915 617	(16 882 052)	119 033 565	135 915 617	(16 882 052)	119 033 565
Buildings	214 139 968	(62 135 081)	152 004 887	209 616 519	(52 496 803)	157 119 716
Plant and machinery	35 157 259	(22 222 555)	12 934 704	31 325 269	(19 697 137)	11 628 132
Furniture and fixtures	11 037 474	(7 802 766)	3 234 708	9 423 630	(7 232 713)	2 190 917
Motor vehicles	54 765 077	(28 025 295)	26 739 782	41 820 024	(25 836 638)	15 983 386
IT equipment	16 451 504	(9 927 012)	6 524 492	15 263 776	(7 841 868)	7 421 908
Infrastructure - Electricity	110 639 284	(24 959 995)	85 679 289	107 769 415	(21 712 319)	86 057 096
Infrastructure - Roads and storm water	399 412 884	(102 987 476)	296 425 408	399 292 883	(92 028 745)	307 264 138
Game	5 601 287	-	5 601 287	3 712 208	-	3 712 208
Infrastructure - Sewerage	10 233 641	(1 480 110)	8 753 531	10 233 641	(1 304 035)	8 929 606
Infrastructure - Solid waste	31 771 213	(22 521 122)	9 250 091	31 630 413	(22 262 784)	9 367 629
Infrastructure - Water	1 101 017 886	(276 479 460)	824 538 426	998 521 079	(239 202 606)	759 318 473
Capital work in progress	531 442 944	-	531 442 944	410 084 456	-	410 084 456
<b>Total</b>	<b>2 657 586 038</b>	<b>(575 422 924)</b>	<b>2 082 163 114</b>	<b>2 404 608 930</b>	<b>(506 497 700)</b>	<b>1 898 111 230</b>

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand

### 4. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers received	Transfers to WIP	Depreciation	Impairment loss	Total
Land	119 033 565	-	-	-	-	-	-	119 033 565
Buildings	157 119 716	35 841 341	-	-	(31 317 892)	(6 989 065)	(2 649 213)	152 004 887
Plant and machinery	11 628 132	3 831 990	-	-	-	(2 525 418)	-	12 934 704
Furniture and fixtures	2 190 917	1 613 844	-	-	-	(570 053)	-	3 234 708
Motor vehicles	15 983 386	12 945 053	-	-	-	(2 188 657)	-	26 739 782
IT equipment	7 421 908	1 187 728	-	-	-	(2 085 144)	-	6 524 492
Infrastructure - Electricity	86 057 096	2 869 869	-	-	-	(3 247 676)	-	85 679 289
Infrastructure - Roads and storm water	307 264 138	89 326 557	-	-	(89 206 557)	(10 958 730)	-	296 425 408
Game	3 712 208	1 913 478	(24 399)	-	-	-	-	5 601 287
Infrastructure - Sewerage	8 929 606	-	-	-	-	(176 075)	-	8 753 531
Infrastructure - Solid waste	9 367 629	140 800	-	-	-	(258 338)	-	9 250 091
Infrastructure - Water	759 318 473	103 330 847	-	73 043 720	(73 877 759)	(35 343 804)	(1 933 051)	824 538 426
Capital work in progress	410 084 456	-	-	(73 043 720)	194 402 208	-	-	531 442 944
	<b>1 898 111 230</b>	<b>253 001 507</b>	<b>(24 399)</b>	<b>-</b>	<b>-</b>	<b>(64 342 960)</b>	<b>(4 582 264)</b>	<b>2 082 163 114</b>

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand

### 4. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers received	Transfers to WIP	Opening balance adjustment	Depreciation	Impairment loss	Total
Land	135 915 617	-	-	-	-	-	-	(16 882 052)	119 033 565
Buildings	84 002 258	24 517 049	-	63 492 026	(8 950 703)	-	(5 940 914)	-	157 119 716
Plant and machinery	12 749 818	1 590 184	(101 768)	-	-	-	(2 610 102)	-	11 628 132
Furniture and fixtures	2 572 528	181 169	(15 212)	-	-	-	(547 568)	-	2 190 917
Motor vehicles	17 385 432	617 424	-	-	-	-	(2 019 470)	-	15 983 386
IT equipment	8 935 766	1 366 397	(21 108)	-	-	-	(2 859 147)	-	7 421 908
Infrastructure - Electricity	53 845 161	5 358 085	(5 185 360)	38 815 061	(3 911 975)	-	(2 863 876)	-	86 057 096
Infrastructure - Roads and storm water	210 997 265	24 241 872	-	103 182 380	(19 964 942)	-	(11 192 437)	-	307 264 138
Game	3 831 004	341 905	(460 701)	-	-	-	-	-	3 712 208
Infrastructure - Sewerage	7 856 199	-	-	1 239 354	-	-	(165 947)	-	8 929 606
Infrastructure - Solid waste	9 461 048	164 847	-	-	-	-	(258 266)	-	9 367 629
Infrastructure - Water	721 576 507	111 161 099	(633 634)	55 200 284	(95 282 941)	(217 391)	(32 485 451)	-	759 318 473
Capital work in progress	474 530 211	-	-	(192 556 316)	128 110 561	-	-	-	410 084 456
	<b>1 743 658 814</b>	<b>169 540 031</b>	<b>(6 417 783)</b>	<b>69 372 789</b>	<b>-</b>	<b>(217 391)</b>	<b>(60 943 178)</b>	<b>(16 882 052)</b>	<b>1 898 111 230</b>

#### Pledged as security

No property, plant and equipment were pledged as security.

#### Impairment of assets

##### Property, plant and equipment impaired

Land	-	16 882 052
Buildings	2 649 213	-
Infrastructure - Water	1 933 051	-
	<b>4 582 264</b>	<b>16 882 052</b>

#### Details of properties

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
--	-----------	-----------

### 4. Property, plant and equipment (continued)

#### Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Included within buildings	Total
Opening balance	391 634 053	18 450 403	410 084 456
Additions/capital expenditure	163 084 316	31 317 892	194 402 208
Transferred to completed items	(73 043 720)	-	(73 043 720)
	<b>481 674 649</b>	<b>49 768 295</b>	<b>531 442 944</b>

#### Reconciliation of Work-in-Progress 2018

	Included within Infrastructure	Included within buildings	Total
Opening balance	416 431 787	58 098 424	474 530 211
Additions/capital expenditure	119 159 858	8 950 703	128 110 561
Transferred to completed items	(143 957 592)	(48 598 724)	(192 556 316)
	<b>391 634 053</b>	<b>18 450 403</b>	<b>410 084 456</b>

#### Expenditure incurred to repair and maintain property, plant and equipment

#### Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Contracted services	9 669 631	26 023 801
Inventory	8 705 181	1 159 784
General expenses	2 730 459	647 405
	<b>21 105 271</b>	<b>27 830 990</b>

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
--	-----------	-----------

### 5. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	2 368 538	(1 334 530)	1 034 008	2 252 498	(962 844)	1 289 654

#### Reconciliation of intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
Computer software, other	1 289 654	116 040	(371 686)	1 034 008

#### Reconciliation of intangible assets - 2018

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software, other	1 402 371	226 337	(2 673)	(336 381)	1 289 654

#### Pledged as security

No intangible assets were pledged as security

### 6. Heritage assets

	2019			2018		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	1 621 944	-	1 621 944	1 621 944	-	1 621 944

#### Reconciliation of heritage assets 2019

	Opening balance	Total
Historical monuments	1 621 944	1 621 944

#### Reconciliation of heritage assets 2018

	Opening balance	Total
Historical monuments	1 621 944	1 621 944

#### Pledged as security

No heritage assets were pledged as security]

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>7. Operating lease asset (accrual)</b>		
Non-current assets	11 956	36 264
Current assets	49 531	21 428
Non-current liabilities	(246 576)	(71 566)
Current liabilities	-	(42 080)
	<b>(185 089)</b>	<b>(55 954)</b>

## 8. Employee benefit obligations

### Defined benefit plan

The municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical aid scheme.

In-service members that qualify for post employment medical aid benefit are entitled to a subsidy of 60% of the contribution payable. All current continuation members receive a 60% subsidy.

An actuarial valuation has been performed of the municipality's liability in respect of benefits to eligible retirees and retired employees of the municipality.

### Changes in the present value of the defined benefit obligation are as follows:

Opening balance	13 385 000	12 254 000
Contributions by plan participants	(331 000)	(186 000)
Net expense recognised in the statement of financial performance	1 849 000	1 317 000
	<b>14 903 000</b>	<b>13 385 000</b>

### Net expense recognised in the statement of financial performance

Current service cost	372 000	382 000
Interest cost	1 294 000	1 209 000
Actuarial (gains) losses	183 000	(274 000)
	<b>1 849 000</b>	<b>1 317 000</b>

### Calculation of actuarial gains and losses

Actuarial (gains) losses	183 000	(274 000)
--------------------------	---------	-----------

### Key assumptions used

Assumptions used at the reporting date:

Discount rates used	10.67 %	9.79 %
Consumer price inflation	6.97 %	6.14 %
Health care cost inflation	8.47 %	7.64 %
Net discount rate	2.03 %	2.00 %



# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>8. Employee benefit obligations (continued)</b>		
<b>Long service awards</b>		
Long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service. The valuation was performed in line with GRAP 25 Employee benefits.		
Opening balance	22 557 000	19 537 000
Current service cost	2 403 000	2 113 000
Interest cost	1 972 000	1 702 000
Actuarial (gains) / losses	(2 132 000)	506 000
Expected benefits payments	(2 161 000)	(1 301 000)
	<b>22 639 000</b>	<b>22 557 000</b>
<b>Key assumptions used</b>		
Assumptions used at the reporting date:		
Discount rates used	8.50 %	9.18 %
Consumer price inflation	4.64 %	5.73 %
Salary increase rate	5.64 %	6.73 %
Net discount rate	2.71 %	2.30 %
Normal retirement age	63	63
<b>9. Inventories</b>		
Consumable stores	4 687 485	2 507 178
Water for distribution	565 736	389 537
	<b>5 253 221</b>	<b>2 896 715</b>
<b>10. Receivables from exchange transactions</b>		
Deposits	18 853 794	17 084 643
Sundry debtors	742 122	742 122
Interest receivable	282 500	249 341
	<b>19 878 416</b>	<b>18 076 106</b>
Non-current assets	18 853 794	17 084 643
Current assets	1 024 622	991 463
	<b>19 878 416</b>	<b>18 076 106</b>
<b>11. Receivables from non-exchange transactions</b>		
Allowance for impairment - Fines	(97 750 265)	(82 156 462)
Traffic fines	100 326 705	86 777 322
Consumer debtors - Property rates	64 873 606	59 975 660
Allowance for impairment - Property rates	(4 757 076)	(4 487 928)
	<b>62 692 970</b>	<b>60 108 592</b>

### Receivables from non-exchange transactions pledged as security

No receivables from non-exchange were pledged as security

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>11. Receivables from non-exchange transactions (continued)</b>		
<b>Credit quality of receivables from non-exchange transactions</b>		
The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:		
<b>Receivables from non-exchange transactions past due but not impaired</b>		
Other receivables from non-exchange transactions which are less than 1 month past due are not considered to be impaired. At 30 June 2019, R 6 519 866 (2018: R 6 377 616) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	6 519 866	6 377 616
<b>Receivables from non-exchange transactions impaired</b>		
As of 30 June 2019, other receivables from non-exchange transactions of R 58 353 740 (2018: R 53 598 044) were impaired and provided for.		
The amount of the provision was R (4 757 076) as of 30 June 2019 (2018: R (4 487 928)).		
The ageing of these debtors is as follows:		
1 to 2 months	3 819 941	3 674 433
Over 2 months	54 533 799	49 923 611
<b>Reconciliation of provision for impairment of receivables from non-exchange transactions</b>		
Opening balance	(4 487 928)	(52 618 296)
Provision for impairment	(269 148)	4 474 160
Amounts written off as uncollectible	-	43 656 208
	<b>(4 757 076)</b>	<b>(4 487 928)</b>
<b>Net rates</b>		
Current (0-30 days)	6 519 866	6 377 616
31-60 days	3 508 535	3 366 761
61-90 days	2 823 129	2 921 688
90+ days	47 265 000	42 821 667
	<b>60 116 530</b>	<b>55 487 732</b>
<b>Net traffic fines</b>		
30+ days	2 576 440	4 620 860
<b>12. VAT receivable</b>		
VAT	55 896 616	47 117 717

VAT is payable on the payment basis. Only once payment is received from debtors, the VAT portion of the receipt is paid over to SARS with input VAT only claimed when payment is made to creditors.

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>13. Consumer debtors</b>		
<b>Gross balances</b>		
Electricity	14 123 327	11 524 775
Water	9 703 400	7 559 037
Waste water	2 300 485	1 834 733
Refuse	2 124 902	1 943 352
Other	6 160 324	6 285 939
	<b>34 412 438</b>	<b>29 147 836</b>
<b>Less: Allowance for impairment</b>		
Electricity	(1 035 641)	(862 389)
Water	(711 535)	(565 636)
Waste water	(168 691)	(137 292)
Refuse	(155 816)	(145 419)
Other	(451 727)	(470 372)
	<b>(2 523 410)</b>	<b>(2 181 108)</b>
<b>Net balance</b>		
Electricity	13 087 686	10 662 386
Water	8 991 865	6 993 401
Waste water	2 131 794	1 697 441
Refuse	1 969 086	1 797 933
Other	5 708 597	5 815 567
	<b>31 889 028</b>	<b>26 966 728</b>
<b>Electricity</b>		
Current (0 -30 days)	7 304 417	5 344 952
31 - 60 days	1 293 779	1 368 908
61 - 90 days	351 900	456 182
91 - 120 days	4 137 590	3 492 344
	<b>13 087 686</b>	<b>10 662 386</b>
<b>Water</b>		
Current (0 -30 days)	2 489 289	1 626 824
31 - 60 days	575 105	456 040
61 - 90 days	361 667	262 596
91 - 120 days	5 565 804	4 647 941
	<b>8 991 865</b>	<b>6 993 401</b>
<b>Waste water</b>		
Current (0 -30 days)	432 122	403 867
31 - 60 days	141 872	131 457
61 - 90 days	95 243	89 548
91 - 120 days	1 462 557	1 072 569
	<b>2 131 794</b>	<b>1 697 441</b>
<b>Refuse</b>		
Current (0 -30 days)	537 670	494 988
31 - 60 days	165 120	170 762
61 - 90 days	111 787	116 420
91 - 120 days	1 154 509	1 015 763
	<b>1 969 086</b>	<b>1 797 933</b>

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>13. Consumer debtors (continued)</b>		
<b>Other</b>		
Current (0 -30 days)	1 792 774	1 722 293
31 - 60 days	165 611	264 156
61 - 90 days	120 063	203 557
91 - 120 days	3 630 149	3 625 561
	<b>5 708 597</b>	<b>5 815 567</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(2 181 108)	(9 361 020)
Contributions to allowance	(342 302)	2 181 108
Debt impairment written off against allowance	-	4 998 804
	<b>(2 523 410)</b>	<b>(2 181 108)</b>
<b>Consumer debtors pledged as security</b>		
No consumer debtors were pledged as security		
<b>Credit quality of consumer debtors</b>		
The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:		
<b>Consumer debtors past due but not impaired</b>		
Consumer debtors which are less than 1 month past due are not considered to be impaired. At 30 June 2019, R 12 556 271 (2018: R 9 592 925) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	12 556 271	9 592 925
<b>Consumer debtors impaired</b>		
As of 30 June 2019, consumer debtors of R 21 856 167 (2018: R 19 554 912) were impaired and provided for.		
The amount of the provision was R (2 523 408) as of 30 June 2019 (2018: R (2 181 108)).		
The ageing of these debtors is as follows:		
1 to 2 months	2 687 261	2 724 767
Over 2 months	19 168 906	16 830 145
<b>14. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	2 000	2 000
Bank balances	200 820 074	201 592 311
Short-term deposits	5 000 000	5 000 000
	<b>205 822 074</b>	<b>206 594 311</b>

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
--	-----------	-----------

### 14. Cash and cash equivalents (continued)

#### Short term deposits

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

#### Short term deposits consists of:

ABSA account no 2068718251	5 000 000	5 000 000
----------------------------	-----------	-----------

#### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
STANDARD BANK - Current account - 032610335	198 392 777	214 041 863	11 462	184 855 065	192 888 046	-
STANDARD BANK - Call account - 0318510316	793 829	1 424 100	-	797 976	1 424 100	-
ABSA BANK, Current account - 1650 000 087	10 178 961	6 795 400	113 557 378	15 061 347	7 192 539	115 648 089
ABSA BANK, MIG Transfers - 4080254392	3 093	60 971	100	102 573	84 513	6 410
ABSA BANK, MIG Fund - 4077034870	11	10	9	1 845	1 845	1 845
ABSA BANK, Bereavement Fund - 4078501159	-	268	76	268	268	-
ABSA BANK - Liquidity plus - 9309577050	2 086	2 086	1 000	1 000	1 000	1 000
<b>Total</b>	<b>209 370 757</b>	<b>222 324 698</b>	<b>113 570 025</b>	<b>200 820 074</b>	<b>201 592 311</b>	<b>115 657 344</b>

### 15. Finance lease obligation

#### Minimum lease payments due

- within one year	2 661 232	2 693 935
- in second to fifth year inclusive	649 935	1 952 212

less: future finance charges	3 311 167 (586 796)	4 646 147 (703 836)
------------------------------	------------------------	------------------------

<b>Present value of minimum lease payments</b>	<b>2 724 371</b>	<b>3 942 311</b>
--	------------------	------------------

Non-current liabilities	529 993	1 807 430
Current liabilities	2 194 378	2 134 881
	<b>2 724 371</b>	<b>3 942 311</b>

The lease term is 2 & 3 years and the effective borrowing rate is 34.56% & 18.83% . Interest rates are fixed at the contract date. Obligations under finance leases are secured by the lessor's title to the leased asset.

#### Defaults and breaches

There were no default on principal and interest repayments. None of the terms and conditions were re-negotiated.

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R		
<b>16. Unspent conditional grants and receipts</b>				
<b>Unspent conditional grants and receipts comprises of:</b>				
<b>Unspent conditional grants and receipts</b>				
Municipal Infrastructure Grant	627 647	28 997 692		
Integrated National Electrification Grant	260 409	16 202		
Water Service Infrastructure Grant	-	215 616		
	<b>888 056</b>	<b>29 229 510</b>		
<b>Movement during the year</b>				
Balance at the beginning of the year	29 229 510	14 204 188		
Additions during the year	290 230 145	283 396 400		
Income recognition during the year	(318 571 599)	(268 371 078)		
	<b>888 056</b>	<b>29 229 510</b>		
<b>17. Provisions</b>				
<b>Reconciliation of provisions - 2019</b>				
	Opening Balance	Increase / (reduction) in provisions	Interest charge	Total
Landfill Site	24 642 648	(1 350 085)	1 764 319	25 056 882
Performance Bonus	374 056	40 370	-	414 426
Accumulated Leave	29 452 533	3 470 208	-	32 922 741
	<b>54 469 237</b>	<b>2 160 493</b>	<b>1 764 319</b>	<b>58 394 049</b>
<b>Reconciliation of provisions - 2018</b>				
	Opening Balance	Increase / (reduction) in provisions	Interest charge	Total
Landfill Site	31 050 857	(9 054 099)	2 645 890	24 642 648
Performance Bonus	231 000	143 056	-	374 056
Accumulated Leave	24 669 795	4 782 738	-	29 452 533
	<b>55 951 652</b>	<b>(4 128 305)</b>	<b>2 645 890</b>	<b>54 469 237</b>
Non-current liabilities			25 056 882	24 642 648
Current liabilities			33 337 167	29 826 589
			<b>58 394 049</b>	<b>54 469 237</b>

Landfill site provision has been provided after a specialist consultancy in environmental accounting, was appointed by the municipality to assist with the valuation of the required provision for the Hectorspruit, Marloth Park, Komatipoort, Kamaqhekeza and Steenbok landfill for the reporting period to reflect best reliable estimate.

Performance bonuses are payable to eligible employees provided that the employee has met the targets as required in their performance contracts.

Employees are obliged to take at least 16 working days of his/her 24 annual leave days of which at least 10 working days shall be taken consecutively in respect of every completed year service and before the next year of service. The eight days may be accumulated to a maximum of 48 days.

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>18. Payables from exchange transactions</b>		
Trade payables	40 068 227	60 084 947
Debtors with credit balances	11 452 796	12 408 278
Salary suspense accounts - Third parties	1 824 637	1 624 669
Prepayments-prepaid electricity	509 631	447 745
Other Creditors	49 790	49 203
Staff bonus accrual	9 585 780	9 172 259
Surety	2 515 064	2 515 064
Retentions	43 878 736	44 687 350
Consumer deposits	4 484 376	4 196 453
	<b>114 369 037</b>	<b>135 185 968</b>
<b>19. Service charges</b>		
Sale of electricity	107 090 400	96 277 093
Sale of water	23 874 067	20 303 494
Refuse removal	8 214 041	7 278 617
Sewerage and sanitation charges	5 389 553	4 986 235
	<b>144 568 061</b>	<b>128 845 439</b>
<b>20. Rental of facilities and equipment</b>		
<b>Facilities and equipment</b>		
Rental of facilities	4 974 158	3 040 464
<b>21. Revenue</b>		
Service charges	144 568 061	128 845 439
Rental of facilities and equipment	4 974 158	3 040 464
Interest received (trading)	7 305 613	11 391 004
Agency services	13 068 155	12 587 776
Licences and permits	27 419	36 103
Recoveries	209 144	498 604
Operational revenue	5 453 988	5 569 622
Interest received (external)	27 648 707	19 851 644
Property rates	94 404 808	105 503 008
Government grants & subsidies	821 172 599	737 311 077
Public contributions and donations	3 491 815	69 475 264
Fines, Penalties and Forfeits	14 565 676	5 411 836
	<b>1 136 890 143</b>	<b>1 099 521 841</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Service charges	144 568 061	128 845 439
Rental of facilities and equipment	4 974 158	3 040 464
Interest received (trading)	7 305 613	11 391 004
Agency services	13 068 155	12 587 776
Licences and permits	27 419	36 103
Recoveries	209 144	498 604
Operational revenue	5 453 988	5 569 622
Interest received (external)	27 648 707	19 851 644
	<b>203 255 245</b>	<b>181 820 656</b>

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>21. Revenue (continued)</b>		
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
Property rates	94 404 808	105 503 008
<b>Transfer revenue</b>		
Government grants & subsidies	821 172 599	737 311 077
Public contributions and donations	3 491 815	69 475 264
Fines, Penalties and Forfeits	14 565 676	5 411 836
	<b>933 634 898</b>	<b>917 701 185</b>
<b>22. Agency services</b>		
Vehicle Registration and Licenses	13 068 155	12 587 776
<b>23. Licences and permits</b>		
Trading	27 419	36 103
<b>24. Fines, Penalties and Forfeits</b>		
Illegal Connections Fines	36 167	402 580
Law Enforcement Fines	14 529 250	5 008 800
Overdue Books Fines	259	456
	<b>14 565 676</b>	<b>5 411 836</b>
<b>25. Recoveries and other income</b>		
Recoveries	209 144	498 604
Other income	5 453 988	5 569 622
	<b>5 663 132</b>	<b>6 068 226</b>
<b>26. Interest received - external</b>		
<b>Interest revenue</b>		
Bank	5 031 261	5 280 732
Investment	22 617 446	14 570 912
	<b>27 648 707</b>	<b>19 851 644</b>



# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>27. Property rates</b>		
<b>Rates received</b>		
Residential	32 705 904	40 952 600
Business	20 941 076	28 002 090
Government	34 490 628	31 204 993
Agricultural	5 367 058	5 168 505
Other	900 142	174 820
	<b>94 404 808</b>	<b>105 503 008</b>
<b>Valuations</b>		
Residential	5 964 973 100	3 808 803 900
Business	1 494 600 000	1 163 161 372
Government	1 976 546 000	1 746 254 600
Agriculture	3 839 004 001	2 451 781 600
Other	1 489 052 254	871 919 000
	<b>14 764 175 355</b>	<b>10 041 920 472</b>

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>28. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	516 214 894	482 052 348
Municipal Infrastructure Grant	235 033 353	204 859 308
Financial Management Grant	1 770 000	1 700 000
LG SETA Grant	264 145	3 665 400
Integrated National Electrification Grant	4 739 591	4 983 798
Water service infrastructure grant	56 442 616	32 876 223
Expanded Public Works Programme	6 708 000	7 174 000
	<b>821 172 599</b>	<b>737 311 077</b>

### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

### Municipal Infrastructure Grant

Balance unspent at beginning of year	28 997 692	-
Current-year receipts	220 261 000	233 857 000
Conditions met - transferred to revenue	(235 033 353)	(204 859 308)
Transfer out - Roll over not approved	(13 597 692)	-
	<b>627 647</b>	<b>28 997 692</b>

The grant is intended to provide capital finance for basic municipal infrastructure for poor households, micro enterprises and social institutions, to provide for new, rehabilitation and upgrading of municipal infrastructure and to eradicate the bucket sanitation system mainly in urban townships.

### Expanded Public Works Programme

Current-year receipts	6 708 000	7 174 000
Conditions met - transferred to revenue	(6 708 000)	(7 174 000)
	<b>-</b>	<b>-</b>

This grant is intended to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in different areas in compliance with the EPWP guidelines

### Financial Management Grant

Current-year receipts	1 770 000	1 700 000
Conditions met - transferred to revenue	(1 770 000)	(1 700 000)
	<b>-</b>	<b>-</b>

This grant is intended to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

### LG SETA Grant

Current-year receipts	264 145	3 665 400
Conditions met - transferred to revenue	(264 145)	(3 665 400)
	<b>-</b>	<b>-</b>

This grant is intended to provide support training for the unemployed.

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>28. Government grants and subsidies (continued)</b>		
<b>Integrated National Electrification Grant</b>		
Balance unspent at beginning of year	16 202	-
Current-year receipts	5 000 000	5 000 000
Conditions met - transferred to revenue	(4 739 591)	(4 983 798)
Transfer out - Roll over not approved	(16 202)	-
	<b>260 409</b>	<b>16 202</b>

This grant is intended to address the electrification backlog of occupied residential dwellings, and the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply.

### Water Service Infrastructure Grant

Balance unspent at beginning of year	215 616	1 091 840
Current-year receipts	56 227 000	32 000 000
Conditions met - transferred to revenue	(56 227 000)	(32 876 224)
Transfer out - Rollover not approved	(215 616)	-
	<b>-</b>	<b>215 616</b>

To facilitate the planning and implementation of various water and sanitation projects to accelerate backlog reduction and improve the sustainability of services in prioritised district municipalities, especially in rural municipalities.

### Municipal Water Infrastructure Grant

Balance unspent at beginning of year	-	13 112 348
Other	-	(13 112 348)
	<b>-</b>	<b>-</b>

This grant is intended to facilitate the planning, acceleration and implementation of various projects that will ensure water supply to communities identified as not receiving a basic water supply service.

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

				2019 R	2018 R
<b>28. Government grants and subsidies (continued)</b>					
<b>Government grants and subsidies per vote</b>					
<b>2019</b>	<b>Executive &amp; Council</b>	<b>Budget &amp; Treasury Office</b>	<b>Corporate Services</b>	<b>Infrastructure Development</b>	<b>Total</b>
Municipal Infrastructure Grant	-	-	-	234 349 882	234 349 882
Financial Management Grant	-	1 770 000	-	-	1 770 000
LG SETA Grant	-	-	264 145	-	264 145
Intergrated National Electrification Grant	-	-	-	4 739 591	4 739 591
Water Services Infrastructure Grant	-	-	-	56 442 616	56 442 616
Expanded Public Works Programme	6 708 000	-	-	-	6 708 000
	<b>6 708 000</b>	<b>1 770 000</b>	<b>264 145</b>	<b>295 532 089</b>	<b>304 274 234</b>
<b>2018</b>	<b>Executive &amp; Council</b>	<b>Budget &amp; Treasury Office</b>	<b>Corporate Services</b>	<b>Infrastructure Development</b>	<b>Total</b>
Municipal Infrastructure Grant	-	-	-	204 859 308	204 859 308
Financial Management Grant	-	1 700 000	-	-	1 700 000
LG SETA Grant	-	-	3 665 400	-	3 665 400
Intergrated National Electrification Grant	-	-	-	4 983 798	4 983 798
Water Services Infrastructure Grant	-	-	-	32 876 223	32 876 223
Expanded Public Works Programme	7 174 000	-	-	-	7 174 000
	<b>7 174 000</b>	<b>1 700 000</b>	<b>3 665 400</b>	<b>242 719 329</b>	<b>255 258 729</b>
<b>29. Public contributions and donations</b>					
Public contributions and donations				3 491 815	69 475 264

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>30. Employee related costs</b>		
Basic	217 656 077	199 656 867
Bonus	17 362 673	16 090 073
Medical aid	17 571 002	16 308 756
UIF	1 855 940	1 773 609
Other payroll levies	146 914	138 561
Pension fund contributions	41 954 111	39 154 237
Travel, motor car, accommodation, subsistence and other allowances	32 783 931	27 823 567
Overtime payments	45 709 206	34 871 887
Long-service awards	4 412 757	4 659 015
Housing benefits and allowances	5 582 593	4 898 906
Temporary employees	2 156 816	6 747 771
Standby allowance	6 882 090	6 573 170
	<b>394 074 110</b>	<b>358 696 419</b>
<b>Remuneration of municipal manager</b>		
Annual Remuneration	1 031 374	980 000
Travel and other allowances	178 893	200 679
Contributions to UIF, Medical and Pension Funds	246 047	228 154
	<b>1 456 314</b>	<b>1 408 833</b>
<b>Remuneration of chief financial officer</b>		
Annual Remuneration	845 862	622 941
Travel and other allowances	223 660	205 369
Contributions to UIF, Medical and Pension Funds	127 220	91 843
	<b>1 196 742</b>	<b>920 153</b>
<b>Remuneration of deputy chief financial officer</b>		
Annual Remuneration	865 814	780 359
Acting allowance	-	40 458
Travel and other allowances	304 134	267 441
Contributions to UIF, Medical and Pension Funds	209 315	195 619
	<b>1 379 263</b>	<b>1 283 877</b>
<b>Remuneration of deputy director technical services</b>		
Annual Remuneration	924 461	761 400
Acting allowance	2 920	7 156
Travel and other allowances	360 371	289 195
Contributions to UIF, Medical and Pension Funds	227 704	212 896
	<b>1 515 456</b>	<b>1 270 647</b>
<b>Remuneration of acting director corporate services</b>		
Acting allowance	6 692	52 524

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>30. Employee related costs (continued)</b>		
<b>Remuneration of director technical services</b>		
Annual Remuneration	926 815	751 147
Travel and other allowances	306 496	232 134
Contributions to UIF, Medical and Pension Funds	178 129	144 258
	<b>1 411 440</b>	<b>1 127 539</b>
<b>Remuneration of director planning and development</b>		
Annual Remuneration	869 274	593 071
Travel and other allowances	268 160	141 970
Contributions to UIF, Medical and Pension Funds	154 836	97 294
	<b>1 292 270</b>	<b>832 335</b>
<b>Remuneration of acting director planning and development</b>		
Acting allowance	2 920	32 124
<b>Remuneration of director community services</b>		
Annual Remuneration	673 218	281 856
Travel and other allowances	260 529	79 250
Contributions to UIF, Medical and Pension Funds	121 408	90 952
Leave pay	-	127 680
	<b>1 055 155</b>	<b>579 738</b>
<b>Remuneration of director corporate services</b>		
Annual Remuneration	623 541	-
Travel and other allowances	173 187	-
Contributions to UIF, Medical and Pension Funds	135 609	-
	<b>932 337</b>	<b>-</b>
<b>31. Remuneration of councillors</b>		
Executive Mayor	905 149	862 775
Chief Whip	832 426	776 884
Mayoral Committee Members	4 153 031	3 697 751
Speaker	788 462	804 041
Councillors	11 091 281	9 731 984
Councillors' pension contribution	2 011 338	1 734 715
Councillors' Allowances	13 862 215	9 904 598
	<b>33 643 902</b>	<b>27 512 748</b>
<b>Executive Mayor</b>		
Remuneration	533 982	516 603
Travel and other allowances	255 668	237 247
Contributions to UIF, Medical and Pension Fund	115 499	108 925
	<b>905 149</b>	<b>862 775</b>

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>31. Remuneration of councillors (continued)</b>		
<b>Speaker</b>		
Remuneration	427 019	421 338
Travel and other allowances	279 013	324 278
Contributions to UIF, Medical and Pension Fund	82 430	58 425
	<b>788 462</b>	<b>804 041</b>
<b>Chief Whip</b>		
Remuneration	401 807	366 070
Travel and other allowances	370 348	321 750
Contributions to UIF, Medical and Pension Fund	60 271	89 064
	<b>832 426</b>	<b>776 884</b>
<b>Members of mayoral committee</b>		
Remuneration	1 973 488	1 959 647
Travel and other allowances	1 789 748	1 348 309
Contributions to UIF, Medical and Pension Fund	389 795	389 795
	<b>4 153 031</b>	<b>3 697 751</b>
<b>32. Depreciation and amortisation</b>		
Property, plant and equipment	64 342 961	60 943 181
Investment property	98 993	127 998
Intangible assets	371 686	336 381
	<b>64 813 640</b>	<b>61 407 560</b>

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>33. Impairment loss</b>		
<b>Impairments</b>		
Property, plant and equipment	4 582 264	16 882 052
The events and circumstances that led to the recognition of the impairment of assets was evidence of damage and significant drop in market value. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell.		
Investment property	-	15 280 166
The events and circumstances that led to the recognition of the impairment of assets was significant drop in market value. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell		
	<b>4 582 264</b>	<b>32 162 218</b>
The main classes of assets affected by impairment losses are:		
Buildings		
Infrastructure - Water		
PPE - Land		
Investment property - Land		
<b>Fair value less cost to sell</b>		
Fair value less costs to sell is based on the best information available to reflect the amount that an entity could obtain, at reporting date, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. In determining this amount, an entity could consider the outcome of recent transactions for similar assets within the same industry. Fair value less costs to sell does not reflect a forced sale, unless management is compelled to sell immediately.		
<b>34. Lease rentals on operating lease</b>		
<b>Premises</b>		
Contractual amounts	4 200 637	5 115 063
<b>Plant and equipment</b>		
Contractual amounts	704 831	884 953
<b>Lease rental on waste disposal site</b>		
Contractual amounts	1 609 288	1 990 715
	<b>6 514 756</b>	<b>7 990 731</b>
<b>35. Transfers and subsidies</b>		
<b>Other subsidies</b>		
Electrical assets	-	5 185 360
Other transfers	1 054 758	6 342 160
	<b>1 054 758</b>	<b>11 527 520</b>
<b>36. Finance costs</b>		
Non-current borrowings	-	168 550
Finance leases	592 645	1 019 308
Interest paid	230 982	861 976
	<b>823 627</b>	<b>2 049 834</b>



# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>37. Debt impairment</b>		
Contributions to debt impairment provision	16 205 251	14 238 881
Bad debts written off	4 432 284	11 840 230
	<b>20 637 535</b>	<b>26 079 111</b>
<b>38. Bulk purchases</b>		
Electricity - Eskom	82 114 514	76 326 224
Water	1 204 021	1 642 486
	<b>83 318 535</b>	<b>77 968 710</b>
<b>39. Contracted services</b>		
<b>Outsourced Services</b>		
Alien Vegetation Control	109 500	107 304
Animal Care	89 869	82 300
Burial Services	16 000	29 350
Business and Advisory	3 756 575	3 380 028
Catering Services	2 591 051	1 039 348
Hygiene Services	136 063	163 884
Litter Picking and Street Cleaning	-	32 007
Mini Dumping Sites	14 109 171	7 721 954
Security Services	30 410 005	28 915 076
Sewerage Services	50 700	36 400
Traffic Fines Management	-	6 310
<b>Consultants and Professional Services</b>		
Business and Advisory	20 489 079	19 633 916
Infrastructure and Planning	1 993 028	2 577 424
Laboratory Services	450 228	442 047
Legal Cost	16 219 221	10 248 173
<b>Contractors</b>		
Artists and Performers	289 641	51 400
Electrical	26 347	326 164
Employee Wellness	118 080	100 195
Interior Decorator	483 702	285 927
Maintenance of Buildings and Other Assets	3 306 138	1 728 864
Maintenance of Equipment	6 922 651	7 104 424
Medical Services	224 100	64 900
Plants, Flowers and Other Decorations	173 355	-
Tracing Agents and Debt Collectors	6 930 717	5 756 627
Traffic and Street Lights	277 445	92 970
Transportation	21 148 844	21 884 049
Sewerage Services	15 633 781	18 905 035
Stage and Sound Crew	332 101	143 900
	<b>146 287 392</b>	<b>130 859 976</b>
<b>40. Loss on disposal of assets</b>		
Gains or losses arising from derecognition of assets	-	893 191

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>41. Operational expenditure</b>		
Advertising	1 428 703	1 226 494
Auditors remuneration	4 260 840	3 416 949
Bank charges	1 057 564	1 151 767
Commission paid	-	242 356
Entertainment	145 252	154 634
Insurance	1 428 137	1 147 791
IT expenses	4 161 657	4 177 706
Levies	6 824 483	6 334 841
Postage and courier	187 153	176 650
Printing and stationery	808	304 850
Uniform and protective clothing	4 917 799	3 085 501
Subscriptions and membership fees	7 567	15 602
Telephone and fax	3 146 213	732 203
Travel and accommodation - local	5 556 332	4 496 109
Utilities	58 168 501	50 174 815
Inventory - consumables	31 050 904	32 623 557
Ward committees	2 177 000	1 279 500
Other expenses	2 118 424	1 319 307
	<b>126 637 337</b>	<b>112 060 632</b>
<b>42. Auditors' remuneration</b>		
Fees	4 260 840	3 416 949
<b>43. Net cash flow from operating activities</b>		
Surplus	248 091 778	242 573 421
<b>Adjustments for:</b>		
Depreciation and amortisation	64 813 640	61 407 560
Loss on disposal of assets	(1 889 080)	893 191
Impairment deficit	4 582 264	32 162 218
Debt impairment	20 637 535	26 079 111
Movements in operating lease assets and accruals	129 135	(59 553)
Movements in retirement benefit assets and liabilities	1 600 000	4 151 000
Movements in provisions	3 924 812	(1 482 415)
Other non-cash items (Transfers received - Assets)	-	(69 372 788)
Other non-cash items (Transfers made - Assets)	-	5 185 360
Other non-cash items (Game animals additions)	1 913 479	341 905
<b>Changes in working capital:</b>		
Inventories	(2 356 506)	895 267
Receivables from exchange transactions	(1 802 310)	(759 419)
Consumer debtors	(25 559 835)	(39 185 712)
Other receivables from non-exchange transactions	(2 584 378)	25 758 710
Payables from exchange transactions	(20 816 931)	(38 421 140)
VAT	(8 778 899)	(5 829 107)
Unspent conditional grants and receipts	(28 341 454)	15 025 322
	<b>253 563 250</b>	<b>259 362 931</b>

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
--	-----------	-----------

### 44. Financial instruments disclosure

#### Categories of financial instruments

#### 2019

##### Financial assets

	At amortised cost	At cost	Total
Trade and other receivables from exchange transactions	32 913 650	-	32 913 650
Other receivables from non-exchange transactions	62 692 970	-	62 692 970
Cash and cash equivalents	-	205 822 074	205 822 074
	<b>95 606 620</b>	<b>205 822 074</b>	<b>301 428 694</b>

##### Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	114 369 037	114 369 037

#### 2018

##### Financial assets

	At amortised cost	At cost	Total
Trade and other receivables from exchange transactions	27 958 191	-	27 958 191
Other receivables from non-exchange transactions	60 108 592	-	60 108 592
Cash and cash equivalents	-	206 594 311	206 594 311
	<b>88 066 783</b>	<b>206 594 311</b>	<b>294 661 094</b>

##### Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	135 185 949	135 185 949

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>45. Commitments</b>		
<b>Authorised expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Property, plant and equipment	40 104 711	12 507 061
• Infrastructure	315 856 365	99 658 085
• Other services	23 369 351	28 614 816
	<b>379 330 427</b>	<b>140 779 962</b>
<b>Total capital commitments</b>		
Already contracted for but not provided for	379 330 427	140 779 962
<b>Operating leases - as lessee (expense)</b>		
<b>Minimum lease payments due</b>		
- within one year	3 885 118	1 708 197
- in second to fifth year inclusive	4 178 196	1 156 110
	<b>8 063 314</b>	<b>2 864 307</b>
Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.		
<b>Operating leases - as lessor (income)</b>		
<b>Minimum lease payments due</b>		
- within one year	128 223	152 438
- in second to fifth year inclusive	2 383	130 606
	<b>130 606</b>	<b>283 044</b>
Operating lease payments represent rentals receivable by the municipality for certain of its properties. Leases are negotiated for up to maximum term of 9 years 11 months and rental escalates between 0% to 10% per annum. No contingent rent is receivable.		

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
--	-----------	-----------

### 46. Contingencies

#### Contingent liabilities

A Lubbe - Claim of R109 626.64 against unfair dismissal

IMATU O.B.O L Lubisi - Claim of R120 270 for travel allowance

Tarfix - Claim for retention money amounting to R2 679 068.48

SM Shabangu - challenge against alleged unfair dismissal and anticipated costs claim of R1 020 000

Silinda Mokoena & Associates (Valuer) case no 64255/09 claims R1 264 063 for work done on the valuation roll for the municipality

Valor IT - Claim of R5 034 960 for breach of contract

Matsamo cultural park - Claim of R5 418 000 for suffered damages caused by fire due to alleged negligence following failure of the fire trucks to arrive on time

Maximum profit recovery - Claim for a breach of contract on VAT for an amount of R6 000 000

Telkom SA Limited - Claim for damages for an amount of R59 346.17

SL Mkhathswa - The case relates to the alleged unfair labour practice, however the potential amount of the liability is uncertain as it was not determined when the claim was instituted.

JS Nkosi - The case relates to the alleged unfair labour practice, however the potential amount of the liability is uncertain as it was not determined when the claim was instituted.

SANRAL SOC - SANRAL sought an interdict to prevent the Lebombo Border Dry Port from developing a property without first obtaining the zoning. The Municipality was cited as the authority responsible for issuing of the said zoning. The potential amount of the liability is uncertain as it was not determined when the claim was instituted.

L Siboza - The case relates to the alleged unfair dismissal, however the potential amount of the liability is uncertain as it was not determined when the claim was instituted.

BB Khoza - Claim for salary of R174 000 that was stopped after the employee was found to have misappropriated funds of the municipality.

#### Contingent assets

The municipality lodged a counter claim of R10 855 225.17 against Silinda Mokoena & Associates (Valuer) case no 64255/09, because the valuation roll was incorrect and the Valuer failed to make corrections as requested by the municipality. The municipality lodged its claim because it is losing possible revenue due to the incorrectness of the valuation roll.

Valor IT - Claim for recovery of amount paid to Valor IT to the value of R6 300 000 for breach of contract.

### 47. Related parties

#### Relationships

Post employment benefit plan for employees of municipality  
Members of key management

Refer to note on employee benefit obligations  
Refer to note on compensation to Municipal Manager,  
Chief Financial Officer, Executive Directors, Mayoral  
Committee and Other Councillors

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
--	-----------	-----------

### 48. Prior period errors

Recognition of transactions relating to prior year which were received late, after submission of financial statements.

The correction of the error(s) results in adjustments as follows:

#### Statement of financial position

Accumulated surplus	-	40 143
Input VAT	-	(30 367)
Trade payables from exchange transactions	-	228 073
Infrastructure - Water: cost	-	(217 391)
Inventories	-	(20 458)

### 49. Comparative figures

Certain comparative figures have been reclassified.

The comparative figures have been reclassified to conform to presentation of expenditure by nature as required by GRAP 1.

The effects of the reclassification are as follows:

#### Statement of financial position - extract

	Comparative figures previously reported	Reclassification	After reclassification
Current assets - Receivables from exchange transaction	18 076 106	(17 084 643)	991 463
Non-current assets - Receivables from exchange transaction	-	17 084 643	17 084 643
	<b>18 076 106</b>	<b>-</b>	<b>18 076 106</b>

### 50. Risk management

#### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

At 30 June 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Finance lease obligations	2 194 378	529 993	-	-
Trade and other payables	114 369 037	-	-	-
Operating lease liability	-	246 576	-	-
At 30 June 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Finance lease obligations	2 134 881	1 807 430	-	-
Trade and other payables	135 185 968	-	-	-
Operating lease liability	42 080	71 566	-	-

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
--	-----------	-----------

### 50. Risk management (continued)

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and consumer debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. Credit Risk related to consumer debtors is managed in accordance with the Council's credit control and debt collection policy. The Council's credit exposure is spread over a large number and wide variety of consumers, and is not concentrated in any particular sector or geographical area. Adequate provision has been made for anticipated impairment of consumer debtors.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2019	2018
Cash and cash equivalents	205 822 074	206 594 311
Receivable from non-exchange transactions	62 692 970	60 108 592
Receivable from exchange transactions	19 878 416	18 076 106
Consumer debtors - exchange transactions	31 889 028	26 966 728

### 51. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### 52. Events after the reporting date

The municipality entered into agreement with Department of Community Safety, Security and Liason to transfer the function of Licencing department back to the province.

This agreement has a financial effect as the municipality will lose revenue from Agency Services.

### 53. Unauthorised expenditure

Opening balance as previously reported	3 190 504	152 788 826
<b>Opening balance as restated</b>	<b>3 190 504</b>	<b>152 788 826</b>
Add: Unauthorised expenditure - current	24 068 382	3 190 504
Less: Amount written off - prior period	-	(152 788 826)
<b>Closing balance</b>	<b>27 258 886</b>	<b>3 190 504</b>

Unauthorised expenditure is as a result of overspending of the budget of the municipality which caused the operational expenditure or capital expenditure incurred during the financial year to exceed the amount appropriated in the budget. The unauthorised expenditure of R27 258 886 is awaiting for authorisation.

### 54. Fruitless and wasteful expenditure

Opening balance as previously reported	861 974	3 377 176
<b>Opening balance as restated</b>	<b>861 974</b>	<b>3 377 176</b>
Add: Fruitless and wasteful expenditure - current	230 982	861 976
Less: Amount written off - prior period	-	(3 377 178)
<b>Closing balance</b>	<b>1 092 956</b>	<b>861 974</b>

Fruitless and wasteful expenditure is as a result of interest charged by suppliers due to late payments and late submission of SARS returns. Fruitless and wasteful expenditure of R1 092 956 is awaiting for authorisation. The fruitless and wasteful expenditure is irrecoverable.

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>55. Irregular expenditure</b>		
Irregular expenditure - Opening balance	497 668 201	439 123 737
<b>Opening balance as restated</b>	<b>497 668 201</b>	<b>439 123 737</b>
Add: Irregular Expenditure - current	-	33 176 400
Add: Irregular Expenditure - prior period	23 275 840	25 368 064
<b>Closing balance</b>	<b>520 944 041</b>	<b>497 668 201</b>

### Amounts recommended to be written-off

Irregular expenditure is as a result of expenditure incurred by the municipality that is not in accordance with, a requirement of the supply chain management policy. Irregular expenditure of R439 123 737 has been recommended by council to be written-off as irrecoverable after investigations and is awaiting to be submitted to National Treasury to be condoned. The municipality will investigate irregular expenditure incurred in the current year and the full extent of irregularity would only be known at the conclusion of these investigations. The amount disclosed above may change based on the outcome of these investigations.

### 56. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

Current year subscription / fee	229 625	208 601
Amount paid - current year	(229 625)	(208 601)
	-	-

#### Non-compliance with applicable legislation

MFMA: Section 65(e) and Section 99(2)(b)

#### Audit fees

Current year subscription / fee	4 260 840	3 416 949
Amount paid - current year	(4 260 840)	(3 416 949)
	-	-



# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>56. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>		
<b>PAYE</b>		
Opening balance	-	3 249 633
Current year subscription / fee	53 716 584	45 153 130
Amount paid - current year	(53 716 584)	(48 402 763)
	-	-
<b>UIF</b>		
Opening balance	-	280 792
Current year subscription / fee	3 870 358	3 683 865
Amount paid - current year	(3 870 358)	(3 964 657)
	-	-
<b>SDL</b>		
Opening balance	-	198 399
Current year subscription / fee	3 088 292	2 733 430
Amount paid - current year	(3 088 292)	(2 931 829)
	-	-
<b>Pension and Medical Aid Deductions</b>		
Current year subscription / fee	90 284 811	83 338 756
Amount paid - current year	(90 284 811)	(83 338 756)
	-	-
<b>VAT</b>		
VAT receivable	55 896 616	47 117 717
VAT output payables and VAT input receivables are shown in note .		
All VAT returns have been submitted by the due date throughout the year.		
<b>Councillors' arrear consumer accounts</b>		
There are no councillors that had arrear accounts outstanding for more than 90 days at 30 June 2019:		
<b>Deviations</b>		
Deviations - opening balance	2 510 288	567 209
Deviations - current year	2 223 035	3 155 982
Deviations - noted by council	(4 394 049)	(1 212 903)
	<b>339 274</b>	<b>2 510 288</b>
<b>Awards to close family members of persons in the service of the state</b>		
Current year expenditure	395 999	49 886

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
--	-----------	-----------

### 56. Additional disclosure in terms of Municipal Finance Management Act (continued)

Procurement services were made to Agreemeth Business Enterprise and My Angel Country Lodge, whose directors are close family members of persons in service of the state.

### 57. Distribution losses

Water	Year	Kilo litres pumped	Kilo litres sold	Loss in kilo litres	Loss in percentage
	30 June 2019	2 575 989	1 890 914	694 478	2%
	30 June 2018	2 560 687	2 027 011	536 176	2%

  

Electricity	Year	Units purchased	Units sold	Loss in units	Loss in percentage
	30 June 2019	87 986 876	75 629 598	12 357 278	14%
	30 June 2018	81 046 226	71 365 717	9 680 510	12%

Water distribution loss calculated value amounts to R 6 200 297 (2018: R4 482 427)

Electricity distribution loss calculated value amounts to R 8 238 717 (2018: R6 041 606)

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
--	-----------	-----------

### 58. Budget differences

#### Material differences between budget and actual amounts

##### Revenue and expenditure

Agency services - This is due to an increase in demand for Drivers Licenses

Licenses and permits – This is due to more applications of hawkers license and permits received during the year than anticipated

Recoveries - This class of revenue is contingent in nature and during the budget adjustment the actual income was not yet received

Other income - R1.9 million more revenue received from sale of entrance fees, publication print and incidental cash surplus

Interest received – external - The significant variance is attributed to interest earned from investments made during the financial year under review totaling to R1.9 billion and interest earned from favourable bank balances throughout the financial year

Property rates - underperformed by 18.1 million or 16% due to the on going objections on the general valuation roll implemented from the 1<sup>st</sup> of July 2018. An appeal board in terms of section 56 of the Property Rates Act, no 6 of 2004 was established and proceedings for the related objections are still on progress.

Fines, Penalties and Forfeits - This is due to less traffic and illegal connection fines issued during the financial year under review than anticipated.

Employee costs – The variance is due to Bargaining Council annual salary increases effected from the 1<sup>st</sup> of July 2018. Overtime worked by employees as a result of frequent breakdowns due to aging infrastructure and increase in Subsistence and travelling claims resulted in a significant variance.

Councilors' remuneration – variance was as a result of implementation of the Government Gazette relating to the Councilors upper limits as determined by the Minister of COGTA issued in December 2018 and was effective from 01 July 2018

Finance costs – the interest charged assumptions for late payment of invoices was not factored into the budget amounts as well as the interest portion of the landfill sites

Lease rentals on operating lease - The rental agreement with Ginalex was coming to an end during the year under review hence the budget was based on the higher rental fees, however there were no significant changes in the new rental agreement entered into with Ginalex.

Bulk purchases – Additions in infrastructure assets as a result of newly completed projects necessitated extra consumption of bulk electricity.

Contracted Services - Extension of scope to Gilija security services due to additional Community and infrastructure assets constructed which required security services. The difference was also as a result of increases in terms of PSIRA rates as agreed with the security companies

Transfers and subsidies - The budget included the transfer of electrified households at the completion of the project whereas the actual does not

General expenses - Implementation of cost containment measures on general operational costs yielded positive results as the municipality managed to save approximately 28% of the budgeted fee.

##### Assets and liabilities

Cash and cash equivalent - The variance is due to unspent conditional grant and the increase in cash received from investments made.

# Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
--	-----------	-----------

### 58. Budget differences (continued)

Receivable from exchange transactions – Current: This is due to less sundry debtors raised during the financial year under review

Receivable from exchange transactions – None current: These are deposits made to Eskom for new accounts opened during the financial year under review and the accrued interest on total deposits at 5.3% p.a.

Consumer debtors – The actual collection rate for traffic fines and consumer debtors was less than anticipated

Intangible assets - Acquisitions were less than what was budgeted for and the variance also results from the different VAT treatments when budgeting and on actual spending

Heritage assets - This item was over budgeted for as the municipality anticipated to invest in heritage facilities in order to attract tourists

Operating lease assets – The municipality had planned to lease more machines as additional office space was created in the planning and development.

Provision - This is an estimated figure and the budget is based on the prior year actuals which is subject to extensive assumptions depending on the management expert used to determine the actual value.

Other financial Liabilities - There was no long-term loan entered into.

Finance lease obligation - The municipality entered into a new lease agreement with Vodacom

Unspent conditional grant - This line item does not require to be budgeted for hence there is 100% variance

Employee benefit obligation – The municipality omitted this line item during the budget preparation as it had an audited balance for 2017/18 financial year

**Nkomazi Local Municipality**  
**Nkomazi Local Municipality**  
**Appendix B**

June 2019

**Analysis of property, plant and equipment as at 30 June 2019**  
**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Donations Rand	Transfers-WIP completed Rand	Disposals Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposal Rand	Transfers-WIP completed Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Land and buildings</b>														
Land	135 915 617	-	-	-	-	-	<b>135 915 617</b>	(16 882 052)	-	-	-	-	<b>(16 882 052)</b>	119 033 565
Work in progress - buildings	18 450 403	31 317 892	-	-	-	-	<b>49 768 295</b>	-	-	-	-	-	-	49 768 295
Buildings	209 616 519	4 523 449	-	-	-	-	<b>214 139 968</b>	(52 496 915)	-	-	(6 989 065)	(2 649 213)	<b>(62 135 193)</b>	152 004 775
	<b>363 982 539</b>	<b>35 841 341</b>	-	-	-	-	<b>399 823 880</b>	<b>(69 378 967)</b>	-	-	<b>(6 989 065)</b>	<b>(2 649 213)</b>	<b>(79 017 245)</b>	<b>320 806 635</b>
<b>Infrastructure</b>														
Roads and stormwater	399 292 883	120 000	-	-	-	-	<b>399 412 883</b>	(92 028 745)	-	-	(10 958 732)	-	<b>(102 987 477)</b>	296 425 406
Sewerage	10 233 641	-	-	-	-	-	<b>10 233 641</b>	(1 304 035)	-	-	(176 075)	-	<b>(1 480 110)</b>	8 753 531
Electricity	107 769 415	2 869 869	-	-	-	-	<b>110 639 284</b>	(21 712 209)	-	-	(3 247 676)	-	<b>(24 959 885)</b>	85 679 399
Water	998 738 472	29 453 089	-	73 043 720	-	-	<b>1 101 235 281</b>	(239 202 611)	-	-	(35 343 803)	(1 933 051)	<b>(276 479 465)</b>	824 755 816
Solid waste	31 630 413	140 800	-	-	-	-	<b>31 771 213</b>	(22 262 784)	-	-	(258 338)	-	<b>(22 521 122)</b>	9 250 091
Work in progress - Infrastructure	391 634 067	163 084 316	-	(73 043 720)	-	-	<b>481 674 663</b>	-	-	-	-	-	-	481 674 663
	<b>1 939 298 891</b>	<b>195 668 074</b>	-	-	-	-	<b>2 134 966 965</b>	<b>(376 510 384)</b>	-	-	<b>(49 984 624)</b>	<b>(1 933 051)</b>	<b>(428 428 059)</b>	<b>1 706 538 906</b>

Analysis of property, plant and equipment as at 30 June 2019	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions Rand	Donations Rand	Transfers-WIP completed Rand	Disposals Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposal Rand	Transfers-WIP completed Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Heritage assets</b>														
Historical monuments	1 621 944	-	-	-	-	-	1 621 944	-	-	-	-	-	-	1 621 944
	<b>1 621 944</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 621 944</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 621 944</b>
<b>Other assets</b>														
Furniture and fixtures	9 423 630	1 115 452	498 392	-	-	-	11 037 474	(7 232 715)	-	-	(570 053)	-	(7 802 768)	3 234 706
Plant and equipment	31 325 266	2 690 578	1 141 412	-	-	-	35 157 256	(19 697 136)	-	-	(2 525 418)	-	(22 222 554)	12 934 702
IT equipment	15 263 775	406 458	781 269	-	-	-	16 451 502	(7 841 868)	-	-	(2 085 144)	-	(9 927 012)	6 524 490
Motor vehicles	41 820 024	12 945 053	-	-	-	-	54 765 077	(25 836 638)	-	-	(2 188 657)	-	(28 025 295)	26 739 782
Game Animals	3 712 208	1 913 478	-	-	(24 399)	-	5 601 287	-	-	-	-	-	-	5 601 287
	<b>101 544 903</b>	<b>19 071 019</b>	<b>2 421 073</b>	<b>-</b>	<b>(24 399)</b>	<b>-</b>	<b>123 012 596</b>	<b>(60 608 357)</b>	<b>-</b>	<b>-</b>	<b>(7 369 272)</b>	<b>-</b>	<b>(67 977 629)</b>	<b>55 034 967</b>
Total property plant and equipment	<b>2 406 448 277</b>	<b>250 580 434</b>	<b>2 421 073</b>	<b>-</b>	<b>(24 399)</b>	<b>-</b>	<b>2 659 425 385</b>	<b>(506 497 708)</b>	<b>-</b>	<b>-</b>	<b>(64 342 961)</b>	<b>(4 582 264)</b>	<b>(575 422 933)</b>	<b>2 084 002 452</b>
<b>Intangible assets</b>														
Computers - software & programming	2 252 497	116 040	-	-	-	-	2 368 537	(962 844)	-	-	(371 686)	-	(1 334 530)	1 034 007
	<b>2 252 497</b>	<b>116 040</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 368 537</b>	<b>(962 844)</b>	<b>-</b>	<b>-</b>	<b>(371 686)</b>	<b>-</b>	<b>(1 334 530)</b>	<b>1 034 007</b>
<b>Investment properties</b>														
Investment property	46 445 555	-	-	-	-	-	46 445 555	(17 491 573)	-	-	(98 993)	-	(17 590 566)	28 854 989
	<b>46 445 555</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>46 445 555</b>	<b>(17 491 573)</b>	<b>-</b>	<b>-</b>	<b>(98 993)</b>	<b>-</b>	<b>(17 590 566)</b>	<b>28 854 989</b>
<b>Total</b>														
Land and buildings	363 982 539	35 841 341	-	-	-	-	399 823 880	(69 378 967)	-	-	(6 989 065)	(2 649 213)	(79 017 245)	320 806 635
Infrastructure	1 939 298 891	195 668 074	-	-	-	-	2 134 966 965	(376 510 384)	-	-	(49 984 624)	(1 933 051)	(428 428 059)	1 706 538 906
Heritage assets	1 621 944	-	-	-	-	-	1 621 944	-	-	-	-	-	-	1 621 944
Other assets	101 544 903	19 071 019	2 421 073	-	(24 399)	-	123 012 596	(60 608 357)	-	-	(7 369 272)	-	(67 977 629)	55 034 967
Intangible assets	2 252 497	116 040	-	-	-	-	2 368 537	(962 844)	-	-	(371 686)	-	(1 334 530)	1 034 007
Investment properties	46 445 555	-	-	-	-	-	46 445 555	(17 491 573)	-	-	(98 993)	-	(17 590 566)	28 854 989
	<b>2 455 146 329</b>	<b>250 696 474</b>	<b>2 421 073</b>	<b>-</b>	<b>(24 399)</b>	<b>-</b>	<b>2 708 239 477</b>	<b>(524 952 125)</b>	<b>-</b>	<b>-</b>	<b>(64 813 640)</b>	<b>(4 582 264)</b>	<b>(594 348 029)</b>	<b>2 113 891 448</b>

# Nkomazi Local Municipality

## Appendix D

June 2019

### Segmental Statement of Financial Performance for the year ended Prior Year Current Year

Actual Income	Actual	Surplus		Actual Income	Actual	Surplus
Rand	Expenditure	/(Deficit)		Rand	Expenditure	/(Deficit)
Rand	Rand	Rand		Rand	Rand	Rand
<b>Municipality</b>						
7 174 000	65 237 959	(58 063 959)	Executive and Council	6 708 000	77 067 047	(70 359 047)
393 872 358	205 419 907	188 452 451	Budget and Treasury Office	332 446 896	176 049 796	156 397 100
827 543	20 004 597	(19 177 054)	Planning and Development	693 974	23 892 825	(23 198 851)
7 681 234	62 217 652	(54 536 418)	Corporate Services	7 985 887	72 560 694	(64 574 807)
95 035 068	160 121 477	(65 086 409)	Community and Social Services	106 759 208	182 721 174	(75 961 966)
594 931 638	343 946 828	250 984 810	Infrastructure	686 134 259	360 344 903	325 789 356
<b>1 099 521 841</b>	<b>856 948 420</b>	<b>242 573 421</b>		<b>1 140 728 224</b>	<b>892 636 439</b>	<b>248 091 785</b>

# Nkomazi Local Municipality

## Appendix E(1)

June 2019

### Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2019

	Current year 2019 Act. Bal.  Rand	Current year 2019 Adjusted budget Rand	Variance  Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Property rates	94 404 808	112 536 949	(18 132 141)	(16.1)	
Service charges	144 568 061	149 826 026	(5 257 965)	(3.5)	
Rental of facilities and equipment	4 974 158	4 688 381	285 777	6.1	
Interest received (trading)	7 305 613	7 397 131	(91 518)	(1.2)	
Agency services	13 068 155	8 726 950	4 341 205	49.7	
Licences and permits	27 419	34 840	(7 421)	(21.3)	
Public contributions and donations	3 491 815	-	3 491 815	-	
Fines, penalties and forfeits	14 565 676	28 325 728	(13 760 052)	(48.6)	
Government grants and subsidies	821 172 599	826 962 700	(5 790 101)	(0.7)	
Recoveries	209 144	294 066	(84 922)	(28.9)	
Other income	5 453 988	3 619 266	1 834 722	50.7	
Interest received - external	27 648 707	22 768 854	4 879 853	21.4	
Gain on disposal of assets	1 889 080	-	1 889 080	-	
Actuarial gains	1 949 000	-	1 949 000	-	
	1 140 728 223	1 165 180 891	(24 452 668)	(2.1)	
Expenses					
Personnel	(404 322 695)	(357 578 208)	(46 744 487)	13.1	
Remuneration of councillors	(33 643 902)	(24 290 797)	(9 353 105)	38.5	
Depreciation	(64 813 640)	(61 197 763)	(3 615 877)	5.9	
Amortisation	-	-	-	-	
Impairments	(4 582 264)	-	(4 582 264)	-	
Finance costs	(823 627)	(692 458)	(131 169)	18.9	
Debt Impairment	(20 637 535)	(22 199 697)	1 562 162	(7.0)	
Lease rentals on operating lease	(6 514 756)	(9 975 617)	3 460 861	(34.7)	
Bulk purchases	(83 318 535)	(67 344 737)	(15 973 798)	23.7	
Contracted Services	(146 287 393)	(113 910 275)	(32 377 118)	28.4	
Transfers and Subsidies	(1 054 758)	(15 292 029)	14 237 271	(93.1)	
General Expenses	(126 637 334)	(174 540 346)	47 903 012	(27.4)	
	(892 636 439)	(847 021 927)	(45 614 512)	5.4	
Other revenue and costs					
Gain or loss on disposal of assets and liabilities	-	-	-	-	
	-	-	-	-	
Net surplus/ (deficit) for the year	248 091 784	318 158 964	(70 067 180)	(22.0)	



**Nkomazi Local Municipality**

**Appendix E(2)**

June 2019

**Actual versus Budget (Acquisition of Property, Plant and Equipment) as  
at 30 June 2019**

	<b>Additions</b>	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Variance</b>	<b>Variance</b>	<b>Explanation of significant variances from budget</b>
	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>%</b>	
<b>Municipality</b>						
Executive & Council	1 961 694	1 200 000	943 706	(1 017 988)	<b>(108)</b>	
Budget and treasury	10 248 250	11 260 000	11 410 000	1 161 750	<b>10</b>	
Corporate services	983 229	400 000	529 527	(453 702)	<b>(86)</b>	
Planning and development	93 385	1 050 000	1 143 385	1 050 000	<b>92</b>	
Community & Social services	34 319 041	35 484 408	52 608 627	18 289 586	<b>35</b>	
Infrastructure and development	205 511 948	229 968 152	258 110 547	52 598 599	<b>20</b>	
	<b>253 117 547</b>	<b>279 362 560</b>	<b>324 745 792</b>	<b>71 628 245</b>	<b>22</b>	

**Nkomazi Local Municipality****Appendix F****Disclosure of Grants and Subsidies in terms of the Municipal Finance****Management Act**

June 2019

Name of Grants	Quarterly Receipts			
	Sep	Dec	Mar	Jun
Equitable Share	215 055 000	158 512 000	129 034 000	-
Municipal Infrastructure Grant (MIG)	87 273 000	77 091 000	55 897 000	-
Water Services Infrastructure Grant (WSIG)	35 000 000	-	21 227 000	-
Integrated National Electrification Programme Grant (INEP)	4 000 000	1 000 000	-	-
Finance Management Grant (FMG)	1 770 000	-	-	-
Expanded Public Works Programme Grant	1 678 000	-	5 030 000	-
	-	-	-	-
	344 776 000	236 603 000	211 188 000	-

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

# Nkomazi Local Municipality

## Appendix G1

### Budgeted Financial Performance (revenue and expenditure by standard classification) for the year ended 30 June 2019

	2019/2018								2018/2017						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Revenue - Functional</b>															
<b>Governance and administration</b>	<b>352 014 954</b>	<b>5 504 826</b>	<b>357 519 780</b>	-		<b>357 519 780</b>	<b>347 140 783</b>		<b>(10 378 997)</b>	<b>97 %</b>	<b>99 %</b>				<b>408 727 591</b>
Executive and council	6 708 000	-	6 708 000	-		6 708 000	6 708 000		-	100 %	100 %				7 174 000
Finance and administration	345 306 954	5 504 826	350 811 780	-		350 811 780	340 432 783		(10 378 997)	97 %	99 %				401 553 591
<b>Community and public safety</b>	<b>40 404 168</b>	<b>(3 155 274)</b>	<b>37 248 894</b>	-		<b>37 248 894</b>	<b>14 736 121</b>		<b>(22 512 773)</b>	<b>40 %</b>	<b>36 %</b>				<b>17 690 671</b>
Community and social services	11 765 299	(2 956 042)	8 809 257	-		8 809 257	91 199		(8 718 058)	1 %	1 %				12 662 588
Sport and recreation	307 685	(200 166)	107 519	-		107 519	103 619		(3 900)	96 %	34 %				(2 920)
Public safety	28 331 184	934	28 332 118	-		28 332 118	14 541 303		(13 790 815)	51 %	51 %				5 031 003
<b>Economic and environmental services</b>	<b>10 546 954</b>	<b>365 460</b>	<b>10 912 414</b>	-		<b>10 912 414</b>	<b>25 560 360</b>		<b>14 647 946</b>	<b>234 %</b>	<b>242 %</b>				<b>7 805 595</b>
Planning and development	9 713 957	93 002	9 806 959	-		9 806 959	9 504 414		(302 545)	97 %	98 %				6 982 826
Road transport	13 638	-	13 638	-		13 638	13 068 155		13 054 517	95 822 %	95 822 %				2 384
Environmental protection	819 359	272 458	1 091 817	-		1 091 817	2 987 791		1 895 974	274 %	365 %				820 385
<b>Trading services</b>	<b>712 059 155</b>	<b>47 440 648</b>	<b>759 499 803</b>	-		<b>759 499 803</b>	<b>753 290 960</b>		<b>(6 208 843)</b>	<b>99 %</b>	<b>106 %</b>				<b>665 293 247</b>
Energy sources	177 162 432	7 426 742	184 589 174	-		184 589 174	180 213 037		(4 376 137)	98 %	102 %				165 564 268
Water management	363 519 649	38 294 490	401 814 139	-		401 814 139	400 763 952		(1 050 187)	100 %	110 %				348 501 226
Waste water management	95 979 113	867 691	96 846 804	-		96 846 804	96 346 830		(499 974)	99 %	100 %				74 703 741
Waste management	75 397 961	851 725	76 249 686	-		76 249 686	75 967 141		(282 545)	100 %	101 %				76 524 012
<b>Total Revenue - Functional</b>	<b>1 115 025 231</b>	<b>50 155 660</b>	<b>1 165 180 891</b>	-		<b>1 165 180 891</b>	<b>1 140 728 224</b>		<b>(24 452 667)</b>	<b>98 %</b>	<b>102 %</b>				<b>1 099 517 104</b>

# Nkomazi Local Municipality

## Appendix G1

### Budgeted Financial Performance (revenue and expenditure by standard classification) for the year ended 30 June 2019

	2019/2018								2018/2017						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand		Rand	Rand	Rand	Rand	Rand	Rand
Expenditure - Functional															
Governance and administration	362 548 801	1 827 033	364 375 834	-	-	364 375 834	325 677 537	(3 786 992)	(38 698 297)	89 %	90 %	(36 006 679)	-	36 006 679	365 338 588
Executive and council	69 685 397	(323 000)	69 362 397	-	-	69 362 397	68 598 916	(2 799 391)	(763 481)	99 %	98 %	10 079 707	-	(10 079 707)	58 015 281
Finance and administration	292 216 824	2 193 719	294 410 543	-	-	294 410 543	253 909 526	-	(40 501 017)	86 %	87 %	(30 222 493)	-	30 222 493	305 078 501
Internal audit	646 580	(43 686)	602 894	-	-	602 894	3 169 095	(987 601)	2 566 201	526 %	490 %	(15 863 893)	-	15 863 893	2 244 806
Community and public safety	69 783 175	420 000	70 203 175	-	-	70 203 175	91 577 307	(3 062 954)	21 374 132	130 %	131 %	(1 670 920)	-	1 670 920	64 900 754
Community and social services	31 776 927	420 000	32 196 927	-	-	32 196 927	50 623 073	(2 500 241)	18 426 146	157 %	159 %	512 036	-	(512 036)	27 783 215
Sport and recreation	7 690 276	-	7 690 276	-	-	7 690 276	5 111 809	-	(2 578 467)	66 %	66 %	40 024	-	(40 024)	7 260 773
Public safety	19 762 536	-	19 762 536	-	-	19 762 536	25 080 392	(562 713)	5 317 856	127 %	127 %	(2 222 980)	-	2 222 980	19 799 221
Health	10 553 436	-	10 553 436	-	-	10 553 436	10 762 033	-	208 597	102 %	102 %	-	-	-	10 057 545
Economic and environmental services	83 546 143	737 553	84 283 696	-	-	84 283 696	90 102 669	(5 488 377)	5 818 973	107 %	108 %	12 929 385	-	(12 929 385)	71 005 797
Planning and development	40 316 587	(1 369 419)	38 947 168	-	-	38 947 168	27 263 020	10 982 845	(11 684 148)	70 %	68 %	14 747 676	-	(14 747 676)	25 123 842
Road transport	43 064 900	2 106 972	45 171 872	-	-	45 171 872	51 613 121	(18 443 026)	6 441 249	114 %	120 %	(4 902 009)	-	4 902 009	45 824 014
Environmental protection	164 656	-	164 656	-	-	164 656	11 226 528	1 971 804	11 061 872	6 818 %	6 818 %	3 083 718	-	(3 083 718)	57 941
Trading services	325 886 334	(3 110 331)	322 776 003	-	-	322 776 003	381 792 134	(42 608 715)	59 016 131	118 %	117 %	(66 098 795)	-	66 098 795	352 421 684
Energy sources	139 668 900	(900 000)	138 768 900	-	-	138 768 900	158 416 806	(31 597 444)	19 647 906	114 %	113 %	(32 923 376)	-	32 923 376	149 946 293
Water management	119 838 813	(891 670)	118 947 143	-	-	118 947 143	142 055 844	3 600 385	23 108 701	119 %	119 %	(14 589 131)	-	14 589 131	127 504 909
Waste water management	16 688 181	(1 067 661)	15 620 520	-	-	15 620 520	18 070 572	-	2 450 052	116 %	108 %	(2 878 486)	-	2 878 486	23 968 939
Waste management	49 690 440	(251 000)	49 439 440	-	-	49 439 440	63 248 912	(14 611 656)	13 809 472	128 %	127 %	(15 707 802)	-	15 707 802	51 001 543
Other	5 293 233	90 000	5 383 233	-	-	5 383 233	3 486 792	(712 296)	(1 896 441)	65 %	66 %	-	-	-	-
Other	5 293 233	90 000	5 383 233	-	-	5 383 233	3 486 792	(712 296)	(1 896 441)	65 %	66 %	-	-	-	3 296 532
Total Expenditure - Functional	847 057 686	(35 745)	847 021 941	-	-	847 021 941	892 636 439	(55 659 334)	45 614 498	105 %	105 %	(90 847 009)	-	90 847 009	856 963 355
Surplus/(Deficit) for the year	267 967 545	50 191 405	318 158 950	-		318 158 950	248 091 785		(70 067 165)	78 %	93 %				242 553 749

**Nkomazi Local Municipality**  
**Appendix G2**  
**Budgeted Financial Performance (revenue and expenditure by municipal vote)**  
**for the year ended 30 June 2019**

	2019/2018								2018/2017						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue by Vote															
Vote 1 - Executive & Council	6 708 000	-	6 708 000	-		6 708 000	6 708 000		-	100 %	100 %				7 174 000
Vote 2 - Budget & Treasury Office	338 806 360	4 026 611	342 832 971	-		342 832 971	332 446 896		(10 386 075)	97 %	98 %				393 872 358
Vote 3 - Corporate Services	6 500 594	1 478 215	7 978 809	-		7 978 809	7 985 887		7 078	100 %	123 %				7 681 234
Vote 4 - Planning & Development	903 517	93 002	996 519	-		996 519	693 974		(302 545)	70 %	77 %				822 801
Vote 5 - Community & Social Services	116 621 488	(2 031 091)	114 590 397	-		114 590 397	106 759 208		(7 831 189)	93 %	92 %				95 035 068
Vote 6 - Infrastructure & Development	645 485 272	46 588 923	692 074 195	-		692 074 195	686 134 259		(5 939 936)	99 %	106 %				594 931 644
Total Revenue by Vote	1 115 025 231	50 155 660	1 165 180 891	-		1 165 180 891	1 140 728 224		(24 452 667)	98 %	102 %				1 099 517 105
Expenditure by Vote to be appropriated															
Vote 1 - Executive & Council	78 397 741	(619 186)	77 778 555	-	-	77 778 555	77 067 047	-	(711 508)	99 %	98 %	-	-	-	65 237 959
Vote 2 - Budget & Treasury Office	200 138 198	2 977 219	203 115 417	-	-	203 115 417	176 049 796	-	(27 065 621)	87 %	88 %	(30 222 493)	-	30 222 493	205 434 850
Vote 3 - Corporate Services	50 781 678	(531 000)	50 250 678	-	-	50 250 678	72 560 694	-	22 310 016	144 %	143 %	(15 863 893)	-	15 863 893	62 217 652
Vote 4 - Planning & Development	36 144 687	(320 000)	35 824 687	-	-	35 824 687	23 892 825	-	(11 931 862)	67 %	66 %	-	-	-	20 004 597
Vote 5 - Community & Social Services	161 353 169	169 000	161 522 169	-	-	161 522 169	182 721 174	-	21 199 005	113 %	113 %	(11 666 045)	-	11 666 045	160 121 477
Vote 6 - Infrastructure & Development	320 242 213	(1 711 778)	318 530 435	-	-	318 530 435	360 344 903	-	41 814 468	113 %	113 %	(55 091 656)	-	55 091 656	343 946 819
Total Expenditure by Vote	847 057 686	(35 745)	847 021 941	-	-	847 021 941	892 636 439	-	45 614 498	105 %	105 %	(112 844 087)	-	112 844 087	856 995 478
Surplus/(Deficit) for the year	267 967 545	50 191 405	318 158 950	-		318 158 950	248 091 785		(70 067 165)	78 %	93 %				242 521 627

**Nkomazi Local Municipality**  
**Appendix G3**  
**Budgeted Financial Performance (revenue and expenditure)**  
**for the year ended 30 June 2019**

	2019/2018							2018/2017							
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source															
Property rates	114 723 093	(2 186 144)	112 536 949	-		112 536 949	94 404 808		(18 132 141)	84 %	82 %				105 503 008
Service charges - electricity revenue	103 402 721	7 875 127	111 277 848	-		111 277 848	105 995 995		(5 281 853)	95 %	103 %				96 277 093
Service charges - water revenue	22 201 046	1 898 005	24 099 051	-		24 099 051	23 874 067		(224 984)	99 %	108 %				20 303 495
Service charges - sanitation revenue	5 328 393	564 582	5 892 975	-		5 892 975	5 391 839		(501 136)	91 %	101 %				4 986 235
Service charges - refuse revenue	7 723 663	832 489	8 556 152	-		8 556 152	8 214 041		(342 111)	96 %	106 %				7 278 617
Rental of facilities and equipment	3 210 166	1 478 215	4 688 381	-		4 688 381	4 974 158		285 777	106 %	155 %				3 040 465
Interest earned - external investments	12 427 975	10 340 879	22 768 854	-		22 768 854	27 648 707		4 879 853	121 %	222 %				19 851 644
Interest earned - outstanding debtors	13 108 714	(5 711 583)	7 397 131	-		7 397 131	7 305 613		(91 518)	99 %	56 %				11 391 005
Fines, penalties and forfeits	28 774 113	(448 385)	28 325 728	-		28 325 728	14 565 676		(13 760 052)	51 %	51 %				5 411 835
Licences and permits	34 840	-	34 840	-		34 840	27 419		(7 421)	79 %	79 %				36 103
Agency services	11 692 085	(2 965 135)	8 726 950	-		8 726 950	13 068 155		4 341 205	150 %	112 %				12 587 776
Transfers recognised - operational	546 431 440	2 013 178	548 444 618	-		548 444 618	525 823 722		(22 620 896)	96 %	96 %				570 227 038
Other revenue	4 075 900	(162 568)	3 913 332	-		3 913 332	10 593 332		6 680 000	271 %	260 %				6 063 485
Public contributions and donations	-	-	-	-		-	3 491 815		3 491 815	DIV/0 %	DIV/0 %				-
Total Revenue (excluding capital transfers and contributions)	873 134 149	13 528 660	886 662 809	-		886 662 809	845 379 347		(41 283 462)	95 %	97 %				862 957 799

**Nkomazi Local Municipality**  
**Appendix G3**  
**Budgeted Financial Performance (revenue and expenditure)**  
**for the year ended 30 June 2019**

2019/2018										2018/2017				
Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
358 810 806	(1 232 595)	357 578 211	-	-	357 578 211	404 322 699	29 074 728	46 744 488	113 %	113 %	(14 511 031)	-	14 511 031	344 581 412
24 290 797	-	24 290 797	-	-	24 290 797	33 643 902	5 286 795	9 353 105	139 %	139 %	1 339 236	-	(1 339 236)	27 512 749
22 199 697	-	22 199 697		-	22 199 697	20 637 535	(14 109 890)	(1 562 162)	93 %	93 %	(39 697 578)	-	39 697 578	26 079 111
61 197 763	-	61 197 763		-	61 197 763	69 396 166	(5 004 701)	8 198 403	113 %	113 %	8 205 361	-	(8 205 361)	93 569 778
692 458	-	692 458	-	-	692 458	823 627	680 196	131 169	119 %	119 %	(6 307 095)	-	6 307 095	1 563 730
67 344 737	-	67 344 737	-	-	67 344 737	83 318 535	15 192 446	15 973 798	124 %	124 %	8 753 251	-	(8 753 251)	77 968 710
41 405 459	(1 607 868)	39 797 591	-	-	39 797 591	2 281 270	(3 379 163)	(37 516 321)	6 %	6 %	745 469	-	(745 469)	32 599 832
111 183 940	3 937 335	115 121 275	-	-	115 121 275	146 287 392	(41 806 839)	31 166 117	127 %	132 %	28 327 801	-	(28 327 801)	108 277 756
16 659 690	(1 489 661)	15 170 029	-	-	15 170 029	1 054 758	4 947 471	(14 115 271)	7 %	6 %	(16 562 889)	-	16 562 889	11 527 520
143 272 339	357 044	143 629 383	-	-	143 629 383	130 870 555	13 600 684	(12 758 828)	91 %	91 %	(60 423 140)	-	60 423 140	132 389 565
-	-	-	-	-	-	-	5 248 555	-	DIV/0 %	DIV/0 %	(716 397)	-	716 397	893 190
847 057 686	(35 745)	847 021 941	-	-	847 021 941	892 636 439	9 730 282	45 614 498	105 %	105 %	(90 847 012)	-	90 847 012	856 963 353
26 076 463	13 564 405	39 640 868	-		39 640 868	(47 257 092)	(9 730 282)	(86 897 960)	(119)%	(181)%	90 847 012		(90 847 012)	5 994 446
241 891 082	36 627 000	278 518 082	-		278 518 082	295 348 877		16 830 795	106 %	122 %				236 559 304
267 967 545	50 191 405	318 158 950	-		318 158 950	248 091 785		(70 067 165)	78 %	93 %				242 553 750
267 967 545	50 191 405	318 158 950	-		318 158 950	248 091 785		(70 067 165)	78 %	93 %				242 553 750
267 967 545	50 191 405	318 158 950	-		318 158 950	248 091 785		(70 067 165)	78 %	93 %				242 553 750
267 967 545	50 191 405	318 158 950	-		318 158 950	248 091 785		(70 067 165)	78 %	93 %				242 553 750

**Nkomazi Local Municipality**  
**Appendix G4**  
**Budgeted Capital Expenditure by vote, standard classification and funding**  
**for the year ended 30 June 2019**

	2019/2018								2018/2017						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand		Rand	Rand	Rand	Rand	Rand	Rand
Capital expenditure - Vote															
Multi-year expenditure															
Vote 5 - Community & Social Services	7 232 408	16 706 992	23 939 400	-	-	23 939 400	10 029 261	16 322 457	(13 910 139)	42 %	139 %	3 537 240	-	(3 537 240)	13 259 479
Vote 6 - Infrastructure & Development	116 218 152	17 351 248	133 569 400	-	-	133 569 400	104 111 387	82 365 598	(29 458 013)	78 %	90 %	(117 201 865)	-	117 201 865	107 558 765
Capital multi-year expenditure sub-total	123 450 560	34 058 240	157 508 800	-	-	157 508 800	114 140 648	98 688 055	(43 368 152)	72 %	92 %	(113 631 491)	-	113 631 491	120 818 244
Single-year expenditure															
Vote 1 - Executive & Council	1 200 000	(256 294)	943 706	-	-	943 706	1 961 694	701 048	1 017 988	208 %	163 %	820 235	-	(820 235)	175 297
Vote 2 - Budget & Treasury Office	11 260 000	150 000	11 410 000	-	-	11 410 000	8 791 236	3 306 124	(2 618 764)	77 %	78 %	7 089 778	-	(7 089 778)	246 876
Vote 3 - Corporate Services	400 000	129 527	529 527	-	-	529 527	1 047 210	(104 545)	517 683	198 %	262 %	(1 387 265)	-	1 387 265	711 650
Vote 4 - Planning & Development	1 050 000	93 385	1 143 385	-	-	1 143 385	93 385	344 557	(1 050 000)	8 %	9 %	(3 701 468)	-	3 701 468	417 443
Vote 5 - Community & Social Services	28 252 000	417 227	28 669 227	-	-	28 669 227	24 228 041	35 062 476	(4 441 186)	85 %	86 %	(4 158 914)	-	4 158 914	12 145 833
Vote 6 - Infrastructure & Development	113 750 000	10 791 147	124 541 147	-	-	124 541 147	102 855 332	(25 897 452)	(21 685 815)	83 %	90 %	(6 848 575)	-	6 848 575	34 909 119
Capital single-year expenditure sub-total	155 912 000	11 324 992	167 236 992	-	-	167 236 992	138 976 898	13 412 208	(28 260 094)	83 %	89 %	(8 186 209)	-	8 186 209	120 818 244
Total Capital Expenditure - Vote	279 362 560	45 383 232	324 745 792	-	-	324 745 792	253 117 546	112 100 263	(71 628 246)	78 %	91 %	(121 817 700)	-	121 817 700	241 636 488



**Nkomazi Local Municipality**  
**Appendix G4**  
**Budgeted Capital Expenditure by vote, standard classification and funding**  
**for the year ended 30 June 2019**

2019/2018										2018/2017					
Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome	
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	
Capital Expenditure - Functional															
Governance and administration	12 860 000	220 233	13 080 233	-	-	13 080 233	13 193 173	3 909 627	112 940	101 %	103 %	(6 555 881)	-	6 555 881	1 157 384
Executive and council	1 200 000	(256 294)	943 706	-	-	943 706	1 961 694	701 048	1 017 988	208 %	163 %	(820 235)	-	820 235	175 297
Finance and administration	11 660 000	476 527	12 136 527	-	-	12 136 527	11 231 479	3 306 124	(905 048)	93 %	96 %	(7 122 911)	-	7 122 911	982 087
Corporate services	-	-	-	-	-	-	-	(97 545)	-	DIV/0 %	DIV/0 %	1 387 265	-	(1 387 265)	-
Community and public safety	31 439 408	4 424 854	35 864 262	-	-	35 864 262	28 969 449	38 752 567	(6 894 813)	81 %	92 %	854 208	-	(854 208)	23 740 798
Community and social services	24 069 000	(197 000)	23 872 000	-	-	23 872 000	18 693 134	34 033 924	(5 178 866)	78 %	78 %	-	-	-	9 060 812
Sport and recreation	7 290 408	4 420 854	11 711 262	-	-	11 711 262	10 062 588	(4 609 104)	(1 648 674)	86 %	138 %	-	-	-	13 698 768
Public safety	15 000	201 000	216 000	-	-	216 000	182 444	41 040	(33 556)	84 %	1 216 %	854 208	-	(854 208)	981 218
Health	65 000	-	65 000	-	-	65 000	31 283	9 286 707	(33 717)	48 %	48 %	-	-	-	-
Economic and environmental services	115 998 365	7 145 792	123 144 157	-	-	123 144 157	97 903 015	15 894 541	(25 241 142)	80 %	84 %	36 997 116	-	(36 997 116)	26 900 790
Planning and development	1 050 000	93 385	1 143 385	-	-	1 143 385	93 385	328 912	(1 050 000)	8 %	9 %	7 311 504	-	(7 311 504)	353 088
Road transport	114 808 365	7 064 407	121 872 772	-	-	121 872 772	95 896 152	15 928 298	(25 976 620)	79 %	84 %	28 882 923	-	(28 882 923)	26 547 702
Environmental protection	140 000	(12 000)	128 000	-	-	128 000	1 913 478	(362 669)	1 785 478	1 495 %	1 367 %	802 689	-	(802 689)	-
Trading services	119 064 787	33 592 353	152 657 140	-	-	152 657 140	113 051 908	53 543 525	(39 605 232)	74 %	95 %	90 522 259	-	(90 522 259)	118 124 770
Energy sources	8 400 000	-	8 400 000	-	-	8 400 000	4 199 516	834 506	(4 200 484)	50 %	50 %	9 619 030	-	(9 619 030)	3 519 294
Water management	107 194 787	33 352 353	140 547 140	-	-	140 547 140	105 416 278	30 004 793	(35 130 862)	75 %	98 %	82 231 722	-	(82 231 722)	112 496 347
Waste management	3 470 000	240 000	3 710 000	-	-	3 710 000	3 436 114	22 704 226	(273 886)	93 %	99 %	3 053 839	-	(3 053 839)	1 535 891
Other	1	(1)	-	-	-	-	1	-	1	DIV/0 %	100 %	-	-	-	-
Other	1	(1)	-	-	-	-	1	-	1	DIV/0 %	100 %	-	-	-	73 960
Total Capital Expenditure - Functional	279 362 561	45 383 231	324 745 792	-	-	324 745 792	253 117 546	112 100 260	(71 628 246)	78 %	91 %	121 817 702	-	(121 817 702)	169 997 702
Funded by:															
National Government	236 450 560	37 999 387	274 449 947	-		274 449 947	217 557 069		(56 892 878)	79 %	92 %				144 229 554
Transfers recognised - capital	236 450 560	37 999 387	274 449 947	-		274 449 947	217 557 069		(56 892 878)	79 %	92 %				144 229 554
Internally generated funds	42 912 000	7 383 845	50 295 845	-		50 295 845	35 560 477		(14 735 368)	71 %	83 %				25 194 909
Total Capital Funding	279 362 560	45 383 232	324 745 792	-		324 745 792	253 117 546		(71 628 246)	78 %	91 %				347 129 817

**Nkomazi Local Municipality**  
**Appendix G5**  
**Budgeted Cash Flows**  
**for the year ended 30 June 2019**

	2019/2018						2018		
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand		Rand	Rand	Rand
Cash flow from operating activities									
Ratepayers and other	285 955 737	6 284 122	292 239 859	292 239 859	282 355 820	(9 884 039)	97 %	99 %	340 281 554
Government - operating	551 431 440	(2 986 822)	548 444 618	548 444 618	525 823 722	(22 620 896)	96 %	95 %	505 735 572
Government - capital	236 891 082	20 400 000	257 291 082	257 291 082	295 348 877	38 057 795	115 %	125 %	231 575 506
Interest	21 877 887	3 966 028	25 843 915	25 843 915	27 648 707	1 804 792	107 %	126 %	31 242 649
Suppliers and employees	(741 536 396)	(6 103 598)	(747 639 994)	(747 639 994)	(876 790 249)	(129 150 255)	117 %	118 %	(838 024 552)
Finance charges	(1 915 054)	1 222 596	(692 458)	(692 458)	(823 627)	(131 169)	119 %	43 %	(2 049 834)
Transfers and Grants	(16 659 690)	1 367 661	(15 292 029)	(15 292 029)	-	15 292 029	- %	- %	(11 527 520)
Net cash flow from/used operating activities	336 045 006	24 149 987	360 194 993	360 194 993	253 563 250	(106 631 743)	70 %	75 %	257 233 375
Cash flow from investing activities									
Capital assets	(279 362 560)	(25 011 387)	(304 373 947)	(304 373 947)	(253 117 547)	51 256 400	83 %	91 %	(169 766 368)
Net cash flow from/used investing activities	(279 362 560)	(25 011 387)	(304 373 947)	(304 373 947)	(253 117 547)	51 256 400	83 %	91 %	(169 766 368)
Cash flow from financing activities									
Repayment of borrowing	-	-	-	-	(1 217 940)	(1 217 940)	DIV/0 %	DIV/0 %	(1 540 955)
Net cash flow from/used financing activities	-	-	-	-	(1 217 940)	(1 217 940)	DIV/0 %	DIV/0 %	(1 540 955)
Net increase/(decrease) in cash held	56 682 446	(861 400)	55 821 046	55 821 046	(772 237)	(56 593 283)	(1)%	(1)%	85 926 052
Cash/cash equivalents at the year begin:					206 594 043				120 668 260
Cash/cash equivalents at the year end:	56 682 446	(861 400)	55 821 046	55 821 046	205 821 806	(56 593 283)	369 %	363 %	